AUGUST 1959

THE MANAGEMENT REVIEW

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What Makes Ivan Run? Financial Incentives in the Soviet Union

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Management and Managers in Europe Today

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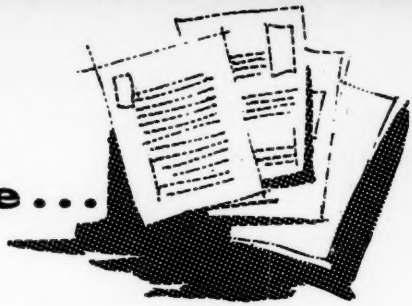

in this issue . . .

- **What Makes Ivan Run?** In his recent visit to New York in connection with the opening of the Soviet Fair, Frol Kozlov, First Deputy Premier of the Soviet Union, visited a U.S. doll factory and the construction site of the world's first nuclear-powered atomic freighter, the *Savannah.* Throughout both tours, according to *The New York Times,* "he kept asking questions. . . . Workers' pay and conditions were the theme of many of these questions."

  It's safe to say that American business executives share the same natural curiosity about pay and incentives on the other side of the Iron Curtain. And getting the answers will not necessitate a mission to Moscow, for a comprehensive picture of Soviet financial incentives—at all levels—is provided in the article on page 4 by FRANKLYN D. HOLZMAN, a distinguished authority on Russian affairs.

- **On Becoming More Creative.** For many reasons, including the need to put so much emphasis on "practical affairs," the business executive typically does not think of himself as being creative, nor does he necessarily care to be. He has enough other things on his mind—and on his desk. But whatever his views on the subject, he really owes it to himself to read EUGENE RAUDSEPP's unusual article on page 9. It has something to say that carries far beyond any simple question of choice between being "hard-headed" or "eggheaded."

- **Management in Europe.** Things are happening within European industry—and fast. For example, though most companies have long been dominated by "the old man" and encrusted in their own traditions, Europe now has its own very lively counterpart to our Young Presidents' Organization. This is just one of many facts reported by PAUL MILLER on some of the sweeping changes that are affecting *Management and Managers in Europe Today* (page 20).

- **Recognize This Tune?** Just for laughs: *The All-Purpose Management Speech*—page 14.

—THE EDITORS

AUGUST 1959
Volume XLVIII, No. 8

THE MANAGEMENT REVIEW

FEATURES

COMING NEXT MONTH—A special feature devoted to one of the most-discussed aspects to today's marketing: ***What Makes People Buy? A Progress Report on Motivation Research Today.***

BUSINESS DIGESTS OF THE MONTH

Cover photograph: Ewing Galloway

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WHAT MAKES IVAN RUN?

Financial Incentives in the Soviet Union

■ *Franklyn D. Holzman*
Professor of Soviet Economics
University of Washington

RECENT SOVIET SUCCESS in the launching of sputniks, luniks, and ICBM's has brought American complacency to a dramatic end, together with our leadership in the field of missile development. The Russians are challenging us in many other areas as well, and not the least important is economic growth.

Those who have followed the course of events over the past year will have seen some of the straws in the wind: In 1958 the Soviets caught up to the United States in coal production; Soviet steel production equaled that of the free nations of Europe; Russian exports invaded the American market, underselling domestic producers in scientific school equipment, benzine, wood pulp, and

other products; and the Soviets increased their competition with the United States for markets in the underdeveloped nations and in Western Europe—even trying to sell the little Soviet automobile, the Moskvich, to West Germans for $1,200.

The Russians are still, of course, very far behind us in over-all production. The United States has a 50 per cent higher per capita output than any other nation in the world. And the Soviet Union, with a 20 per cent larger population but a GNP about one-third our own, is still pretty far down the list. This is probably the reason why we have never taken time out to worry about a Soviet challenge on the economic plane.

THE SOVIET CHALLENGE

But the Soviet economic challenge is not revealed by looking at absolute or per capita levels of GNP, for they started so far behind us. The challenge lies in the annual national income and industrial production growth rates. Since the end of World War II, Soviet national income has grown at a rate of 7 to 8 per cent a year—more than twice as fast as our own. Soviet industrial production has grown by about 12 per cent a year in comparison with our own 3½ per cent average annual increase. If both countries maintain present growth rates, the Soviets will eventually overtake us—their avowed aim.

These facts may be astonishing to most Americans, who have been brought up to believe that the American free enterprise system is the best system of organizing economic activity—a belief reinforced by the fact that we are presently the most "affluent society" in the world. How can a planned economy operate more efficiently than a free enterprise economy? If planned economies are efficient, why aren't armies more efficient? (An army is, after all, a sort of planned economy.) The free enterprise system provides liberal monetary incentives that spur workers and businessmen to greater effort—how can a planned economy, with nationalized industry and devoid of such incentives, match the performance of capitalistic

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Professor Holzman, who has been a consultant on Soviet affairs for the Treasury Department, is associated with the Russian Research Center at Harvard. The author of a book on the Russian economy (*Soviet Taxation,* 1955), he is a frequent contributor to scholarly and business publications.

enterprise? These are some of the questions that are likely to come to the mind of the average American in considering the Soviet economic challenge. Let us look for some answers.

A GUARANTEED MARKET

One extremely important factor conditioning the Soviet rate of growth is that Soviet enterprise produces for a virtually guaranteed market. As was true in this country during the war, everything that can be produced can be sold—there is no holding back on production or investment in new capacity for fear of a softening market. In fact, the Soviet government not only stands ready to buy everything that is produced, it is virtually insatiable in its wants and asks for more every year. Since the government is both producer (all industry is nationalized) and consumer (it purchases about half of Soviet output), it helps enterprises meet growing requirements by providing, every year, huge funds for investment in new building and equipment. The Soviets can invest more heavily in new plant and equipment than any capitalist nation, and with no fear of overinvesting, because the increase in output is geared to a planned increase in the demand for goods. Such a policy implies, of course, full or near-full employment of labor and capacity, as was the case in this country during the war.

THE MARXIST IDEAL

But granting the high level of investment and the guaranteed market, how can there be any life and resiliency in the system without proper monetary incentives? The question is a good one, but the premise is bad. The fact is that monetary incentives *are* used very effectively in Soviet industry, and they are currently being overhauled for the better in agriculture.

Many Americans are misled into assuming that planned economies don't use monetary incentives because it was long a Marxist precept that under communism there would be no need for money—that people would be paid "in kind," taking whatever they needed and working to the utmost of their ability without reference to the amount of their pay. It was believed that, although differences in pay would exist due to differences in needs, wages would in fact be very nearly equalized. This precept was dramatized

by the well-known Marxist slogan, "From each according to his ability, to each according to his needs."

The early Soviet planners themselves took this precept seriously, and from 1918 to 1920 they virtually abolished money. Payments were made to workers "in kind," and wage differentials were reduced to the point that the highest-paid engineers and managers in factories were receiving only about 2½ times the wage of the least-skilled workers. The labor market was abolished, and workers were conscripted for jobs.

A RETURN TO INCENTIVES

The results were disastrous, and in 1921 these policies were put into reverse. The money economy was re-established by 1924. Labor conscription was abolished and, with the exception of forced labor, workers were free to pick jobs of their own preference. The original guiding precept of communism was shelved and a new one introduced in 1931 by Stalin: "From each according to his ability, to each according to his effort." A worker was still expected to put forth his best effort—but this effort was now to be encouraged, not by paying workers according to their needs—an unfulfillable obligation—nor by appeals to patriotism, duty, or "force"— all of which proved unworkable—but by the payment of incentive wages.

There is little detailed information on the wage spread in Soviet industry today, but the general picture is clear. In 1956, a minimum wage of 300 rubles per month was established. Since this law affected "millions of persons," according to Soviet sources, it can be presumed that many unskilled workers are paid at present at this low rate, which in purchasing power terms amounts to \$30-\$40 a month. The average base wage is 750 rubles, or about \$75 a month. At the other extreme, the highest paid engineers and managers are known to receive base salaries of 5-10,000 rubles a month—roughly \$500-\$1,000. In addition, their jobs often carry valuable perquisites, such as the provision of summer homes, the use of state automobiles, and similar privileges.

PIECE RATES AND BONUSES

These figures cover all occupations and all levels of skill. Within each occupation there are typically from eight to ten classifications

by skill. The wage differential between highest and lowest is 2½ or 3 to 1, in comparison with, for example, Great Britain, where it is roughly 1½ to 1.

Clearly a wage spread such as exists in Russia today is sufficient to make it worthwhile for an individual to develop his abilities, to try to get into higher-paying occupations, and, once in an occupation, to try to achieve as high a level of skill as possible. This is by no means the whole story, however. Not only is the individual encouraged with respect to occupation and skill, but the method of wage payment is such as to get every ounce of effort on the job.

About 65 per cent of Soviet workers are paid by the piece, and most of these are either on a "progressive piece rate" or receive bonuses for good performance. The remaining 35 per cent are paid by "time," but bonuses for good performances are the rule here also. Those on piece-rates receive so-called "norms" (e.g., 10 units of specified quality per day), which they are expected to turn out at the base rate. Typically, the "norms" are low enough so that most workers can fulfill them. Each unit turned out above the "norm" is either paid at a successively higher rate or entitles the piece-worker to a bonus. In 1950, norms for the whole country were exceeded by 39 per cent; in 1956, by 55 per cent.

A similar system is used to encourage managers, shop chiefs, senior engineers, and senior foremen. These individuals each receive a basic monthly wage, to which is added a premium if the plant achieves the output target set for it by the state. This premium varies from 20 per cent of base pay to as much as 100 per cent (in coal mining). Base pay is further augmented by from 1½ to 5 per cent, depending on the industry, for *each additional percentage* overfulfillment of output target.

It is not uncommon for a manager, chief engineer, or foreman to augment his salary by 30 or 40 per cent by producing more output than has been targeted for the factory in the plan. There is a limit, of course, to how much of a bonus can be earned in this manner, because targets are adjusted upward if bonuses become too large. The same is true of worker "norms," although here the adjustment has proved to be much slower on the whole, probably because the payment system is so much more intricate.

(*Continued on page* 45)

On Becoming MORE CREATIVE

■ *Eugene Raudsepp*
Deutsch & Shea, Inc.
New York City

You may not consider yourself an Edison or an Einstein, but chances are you have creative ability you don't even know about. Here's how you can put it to use—both for yourself and for your company . . .

ONE OF THE MOST IMPORTANT ATTRIBUTES of the successful executive is his ability to exercise sound judgment before making plans and decisions. He is taught early to respect facts and to regard unsubstantiated opinions and suggestions with a healthy skepticism. All this develops his ability to make sound decisions, to predict reliably, and to execute his plans with a comfortable degree of assurance. And this, in turn, enhances both his company's and his own chances of success.

Unfortunately, however, while he is exercising and developing his power of judicial thinking or critical judgment, he may be stifling and blocking in himself—and in his subordinates—an even more

important factor in his own and his company's progress: the ability to think creatively. For more and more, in this highly competitive era, progress and creativity can be considered synonymous.

It is ironical, but true, that the highly prized attribute of critical judgment can stifle the creative process and be one of the most recalcitrant and serious barriers to creative performance in business.

THE ESTABLISHED ORDER

One of the primary reasons why judicial thinking and creativity make uncomfortable bedfellows is that criticism is based on what is already established, accepted, or proved. Critical judgment must have recourse to past experience, precedent, and facts—everything that is in the past tense. Being a past-oriented way of thinking, it is essentially opposed to the novel, the untried, and the original.

To be sure, certain things in business are basic and timeless, and serve as handy guideposts to the future. But where creative advance is concerned, the past cannot predict or serve as a guidepost. Of itself, it is incapable of either bringing the new about or predicting what would happen if the new were acted upon and implemented.

WHAT IS CREATIVITY?

By definition, a creative idea transcends the established order of things that are clearly determined and accepted. The knowledge of what already exists involves a stereotyped orientation. None of the unexpected new combinations, contrasts, balances, and configurations of the elements in a creative idea in its formative stage meet the requirements of established facts, rules, directives, or logic. A new creative idea is, of course, based on available knowledge and information, but it does not issue from it by any direct rational or logical process.

One of the most persistent notions about creative ideas is that they come in a flash-like and spontaneous fashion. Although it is true that some creative ideas and works undoubtedly owe their existence to a spontaneous insight, a closer study of the creative process indicates that very few creative products and ideas have been conceived minutely and clearly right in the beginning of the creative process. The dramatic instance of a sudden illumination that enables the creative worker to recognize minutely and clearly the

entire novel idea or theme and all of its details is in reality a rare and overpublicized phenomenon, grossly exaggerated in the accounts creative individuals themselves have left behind.

It is even more unfortunate that this romanticized exaggeration about the sudden complete vision of a new idea has become a firmly rooted notion among our own contemporary writers on creativity. The perpetuation of this notion can only convince those who do not experience such apocalyptic visions that they really do not have creative talent, when, in fact, they may have it to a considerable degree.

THE CREATIVE PROCESS

Aspiring creative executives should realize that new ideas are seldom conceived minutely and clearly right at the beginning of the creative process. The creative idea, with only rare exceptions, is initially anything but sharp and sustained, issuing effortlessly into expression.

Closer scrutiny of the creative process shows that what occurs during the act is a slow, selective structuring that follows the dictates of an intuitive feeling of what belongs and what does not belong, what is too intense or too weak, what is proper and what is not. It is a gradual, frequently elusive and groping, clarification of an idea. Perhaps the best way to illustrate this process is through a metaphor.

Let us imagine that we stand at a shore on a foggy day and see a ship sailing in the distance, shrouded by a low, shifting, overhanging fog. Fixing our eyes on the probable course of the ship, we may alternately catch a glimpse of a piece of the white sail, or the top of the mast, or the surging prow. The whole thing is never in full view, yet we know that it is there, and eventually we can construct a mental picture of the entire ship. In a similar fashion, an individual in the beginning of the creative process *senses* the total structure of his idea when only a limited number of details of the new emerging configuration are clearly perceived and delineated. He starts elaborating on the single detail or piece of an over-all idea he perceives, and this process of elaboration and shaping of the detail helps other details to emerge. Provided critical judgment is held in abeyance, these details often fall into their proper places spontaneously. The

initial idea, rather than being a comprehensive survey of the whole new idea, concept, theme, or design, is often merely a fragmentary particle of a larger idea still to appear. Thus, although some vision, some anticipation of the original *total idea* has to occur in the beginning, it is the process of shaping the idea that actually brings it into being.

SUSPENDING CRITICAL JUDGMENT

The acceptance of proposals as they emerge from the unconscious while one is actually working on the idea is a delicate affair. One has to resist the increasing pressure of criticism and judgment that the progressively articulated portions of the idea inevitably elicit. Nothing can inhibit and stifle the creative process more—and on this there is unanimous agreement among all creative individuals and investigators of creativity—than critical judgment applied to the emerging idea at this stage of the creative process. Critical judgment at this point will inhibit, if it does not completely shut off, the forward propulsions of the emerging idea.

This does not mean that criticism, judgment, and evaluation have no place in the production of new ideas. On the contrary, these functions serve a very useful purpose at the conclusion of the process, when an open and objective criticism should be leveled at the new idea and the individual should try to suppress completely any pride of paternity he may have in the idea.

But during the heat of the creative shaping and forming of the idea, criticism and judgment must be suspended. The individual should only be aware of the suggestions that emerge from his unconscious, allowing the aspects of the new idea to pass through his mind in phases of broken sentences or images. He must first "feel" his idea, rather than think it or conceptualize it. No single item that occurs should be pinpointed in the center of attention, for then there is the danger that the full range of unconscious activity is not getting free play.

Many creative individuals have indicated how very important it is to be unself-consciously absorbed during the creative process. For example, composer Aaron Copland offers the following advice, which, in principle, applies to creativity in almost every other field: "Inspiration may be a form of superconsciousness, or perhaps of sub-

consciousness—I would not know; but I am sure that it is the antithesis of self-consciousness. The inspired moment may sometimes be described as a kind of hallucinatory state of mind: one half of the personality emotes and dictates while the other half listens and notates. The half that listens had better look the other way, had better simulate a half attention only, for the half that dictates is easily disgruntled and avenges itself for too close inspection by fading entirely away."

Similarly, the father of psychoanalysis, Sigmund Freud, warned that the intellect should give a wide berth to the incipient ideas in the beginning of the process: "Apparently it is not good—and indeed it hinders the creative work of the mind—if the intellect examines too closely the ideas already pouring in, as it were, at the gates. Regarded in isolation, an idea may be quite insignificant and venturesome in the extreme, but it may acquire importance from an idea which follows it; perhaps in a certain collocation with other ideas, which may seem equally absurd, it may be capable of furnishing a very serviceable link. The intellect cannot judge all these ideas unless it can retain them, until it has considered them in connection with the other ideas. In the case of a creative mind . . . the intellect has withdrawn its watchers from the gates, and the ideas rush in pell-mell, and only then does it review and inspect the multitude."

Another reason why critical weighing during the creative process should be avoided is that it robs the idea of the value and validity with which it is viewed when it first occurs. More ideas have been prematurely rejected by a stringent evaluative attitude than would be warranted by any inherent weakness or absurdity in them. The longer one can linger with the idea with judgment held in abeyance, the longer one can "feel" the idea with all its ramifications, the better the chances of exploiting it fully. There is always plenty of time later to prune the idea of the unnecessary details and redundancies that inevitably slip into the new product during the process.

Many executives fail to maximize their creative performance because it is hard for them to entertain the elusive and vague thoughts present during the early stages of the creative process. The indefinite, shapeless, and disorderly state of mind and the incipient

(*Continued on page* 49)

THE ALL-PURPOSE MANAGEMENT SPEECH

EDITOR'S NOTE: *Not since the discovery of the Dead Sea Scrolls has a manuscript come to light which is of such historic interest as the following All-Purpose Management Speech. This rare document is published here for the first time, not with the thought that any reader would consider using it as his own, but to enable the serious student of management science to examine the original source of many speeches he has heard in the past—and will doubtless have to endure throughout the remainder of his career.*

TRENDS, ASPECTS, AND IMPLICATIONS OF THE CHALLENGE BEFORE US

LADIES AND GENTLEMEN, it's a great pleasure to be with you today.

My subject is "Trends, Aspects, and Implications of the Challenge Before Us." It reminds me of the story of the farmer whose crops "wasn't coming up right," so to speak, and he was sitting on the front steps of his house bemoaning that fact when suddenly a young man stepped up and said, "Sir, mebbe you're worried about your crops, and sir, I've got a set of books on farming that will tell you how to farm better, at a better profit, if you'll just buy these books."

And our man answered, "Don't want any books. I'm not farmin' as well as I know how to now."

Which brings me, ladies and gentlemen, to my subject.

The title of my speech is "Trends, Aspects, and Implications of the Challenge Before Us." Actually, when genial Bob Smith called me and asked me to talk before you, he said why don't you talk about aspects of a subject you know best—the challenge before us. Actually, though, as I look about this audience I think there isn't one person here who wouldn't be better qualified than I to talk on this subject. I think you all know a lot more about it than I. And so I hope you will bear with me.

Where Do We Go from Here?

Now Webster says a trend means, and I quote, "to have or take a particular direction."

In other words: *Where do we go from here?*

Other Factors

Webster defines an aspect as "appearance, view—of objects, etc." And an implication is "the act of implicating or state of being implicated."

Finally, Webster says a challenge is, and I quote, "an invitation to engage in a contest; specif., a summons to fight, as a duel; also, the message conveying the summons."

So, when I saw the title of this talk printed in the program you all have, I did a little soul-searching. Specifically, I asked myself, "What *is* the challenge before us, granted it has these trends and implications I have been referring to? What, specifically, are the aspects of it?"

History and Background of the Company

Now a few words about our company, its history and background. ABC Company emerged on the industrial scene several decades ago, when the company was started by its founder, Mr. Jamison, Sr. At first it started out as a small operation. Everybody knew everybody else and called each other by their first names. There wasn't any need for formality, or for fancy record-keeping, or for a personnel department as we know it today. Everybody knew what was going on, and there were no problems about communication as we know them today. Everybody was on a "first-name" basis. And little by little the company started to grow. In addition to Mrs. Jamison, there was a young fellow who used to come in to help out on Saturdays.

Growth—and Expansion

Then along came World War II and, like Topsy, we "jes growed." Now we have six divisions, in addition to Garment Bag, most of

them decentralized and all of them reporting. We have an internal system of checks and balances.

With growth came problems, and sometimes, in the early days, I must confess that we were just flying by the seat of our pants. There was the human factor, about which I will talk a little more later—the human equation, that is. And we had to consider the interests of our other "publics"—our stockholders, and the customer, who is King. There were budgets and appropriations, and many an "agonizing reappraisal." Throughout, there was management's right to manage and techniques to be applied. As a matter of fact, yesterday morning when I flew out of Davenport to give this speech, we were just finalizing the last details of our new suggestion system. When we have this installed, we will have every personnel technique.

A Time for Decision

This brings us to the "crux" of the matter: How do you feel about these questions, Mr. Manager? Can we afford to just sit on our hands and "let George do it"? Or are we willing to stand up and be counted?

There are many factors involved, and I think we would just be "talking to ourselves" if we didn't "face up" to them. For example, there's the human equation. People resist change. Joe Doakes wants to be treated as an individual; he has hobbies and birthdays. And it's up to us to find the "one best way." We are only as strong as our "weakest link." I think that sums it up in a "nutshell" for every individual in this room. It's the "whole ball of wax."

Other Challenges Before Us

Now, a subject this broad has many ramifications, and I'm sure I couldn't do justice to it in the brief time that we

have here this afternoon, even if I were qualified to do so. Moreover, it would be like "carrying coals to Newcastle." Finally, just before this meeting convened our next speaker happened to mention that he had decided not to talk about "Make or Buy," the subject listed on your programs, but instead will discuss ramifications of the challenge before us. So we have a real treat in store for us later this evening.

Which brings us to that "knotty" question of make or buy. Because it sums up the aspects so much better than I can, I would like to read you this statement I have prepared, which I am attempting to have written into the *Congressional Record:*

(Allow forty minutes for statement)

The Way Ahead

Now I see, gentlemen, that the time is growing short, but I would just like to throw out a few questions for whatever they may be worth.

The answers, I hasten to add, will be different for each company. For there are no panaceas. The solutions must be tailored to the circumstances of the company involved.

Survey findings indicate that more and more companies are aware of the various factors concerned. They realize that all efforts in this direction must be *individualized.* They must be evolutionary rather than revolutionary. Can we be satisfied just to go around "putting out fires"? Or must we buckle down and "get our own houses in order," philosophy-wise and concept-wise?

I believe, gentlemen, that that's the "heart" of the matter. Great changes started to occur right after The Industrial Revolution, and today we have to keep on running just to stand still. And I am confident that we will not just stand still. For we are on

the brink of a new era, and progress cannot be halted. It will separate the men from the boys. The chief factor is that the "chips" are down, and it is reflected in all our thinking.

I see that these remarks have taken us beyond the time that was originally scheduled for The Social Hour, so I would like to throw open the floor to any questions before our regular conference program resumes again.

Are there any questions? Well, then, thank you very much. ♦

—V. M.

AND IN CONCLUSION . . .

The speaker warned us at the start—
I wish I had believed it;
He promised us a "full report,"
And God knows we've received it;

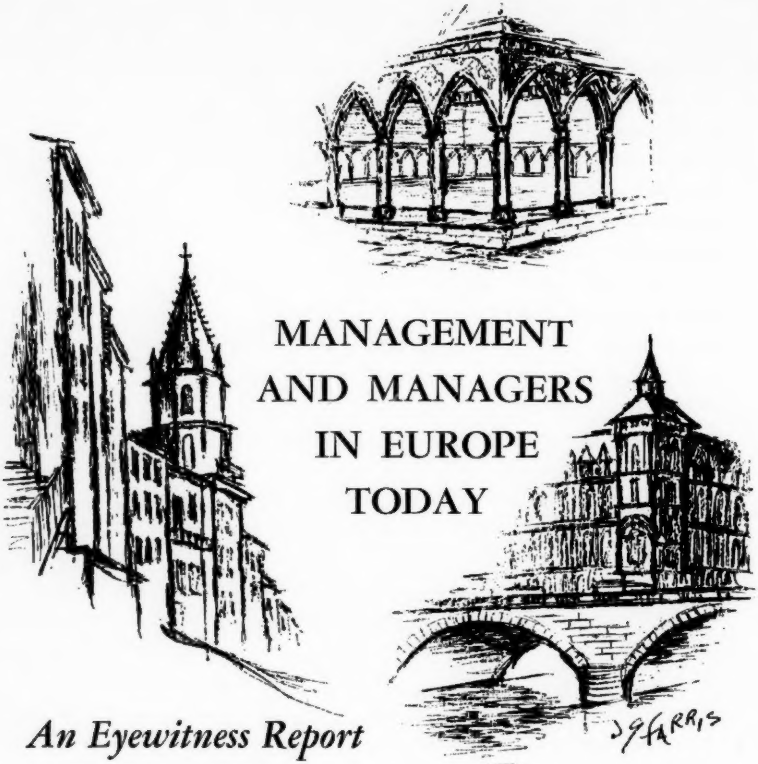
He's given us the vital facts
In dizzying profusion;
He's documented every point
And backed up each conclusion.

My eyes are burning with fatigue,
Their heavy lids are sagging;
My interest perished early—now
My will to live is flagging;

My legs are cramped, my back is stiff,
My weary brain is reeling,
And (by your leave) my derrière
Has lost all sense of feeling;

A nagging, dull, persistent pain
Is throbbing in my torso—
His subject is exhausted
And his audience is more so.

—R. F. G.



MANAGEMENT AND MANAGERS IN EUROPE TODAY

An Eyewitness Report

■ ***Paul R. Miller, Jr.***
McGraw-Hill International Corporation

IN HOLLAND, all businessmen speak English, are very thrifty, and you pretty well know where you stand with them after the first exploratory conversation. Not so the Italians, who have to be watched. Swedes seem of more solid stock, are pro-American and advanced in their appreciation of the Marketing Concept. The Swiss couldn't care less about the Marketing Concept, but they make a lot of money anyway. Germans overwork and fall prey to *managerkrankheit*—literally manager's disease—which means a few days' rest at one of those new spas for tired businessmen. Belgians are shrewd, and tend to overwork their own (and their visitors') stomachs. The Danes make good managers and are very internationalist in their business thinking. Danes have fun, too. So do the French, but few of them

think internationally, and they don't worry much about Long Range Planning as long as their production line ticks along logically and profitably. The British . . . well, the British are very British.

Such are the management men of Europe, as seen in stereotype from the U.S.A. But today an American businessman cannot afford to think in stereotypes. For the Europeans have become the U.S.A.'s customers, competitors, partners, researchers, employees, and employers to a degree inconceivable a decade ago. Talented and productive, the European management community is now the critical expansive factor in the free world's business.

The idea of "community" is especially important. Call it a "European market consciousness," a new management philosophy, an economic revolution if you will—it is emerging fast, especially among more youthful executives. It goes hand in hand with the European Movement, and with its various institutions such as the coal-steel pool, Euratom, the Common Market, the free trade area schemes. But management's new approach has gained a momentum all its own, independent of these institutional arrangements. All the negotiating, bickering, and stalling among the statesmen and politicians cannot stop it now.

Today, even the most tradition-bound *generaldirektor* is forced to look at his organization in the light of the changes coming to European marketing, corporate organization, and management development. He realizes that he and his organization must change.

What follows is a brief sampling of some of the factors of change, and what happens when they hit the traditional structure of European management. Granted they are generalizations, and generalizations about so varied a species as businessmen in 13 or more nations can be misleading, if not downright dangerous. But consider them personal observations, offered by an American observer who, for the time at least, has thrown his scruple about generalizing to the winds.

A LOOK AT AMERICA

Start with the changing European attitude toward the U.S.A. and U.S. businessmen.

To Europeans, America was a sleeping giant that suddenly awakened in 1941. It poured arms and lives, then money, new machines,

methods, and consultants into Europe. This policy of the U.S.A.'s was, and is, one of the greatest successes in history. But during the early postwar years, many proud European businessmen came to be a little resentful of their benefactor and wished they did not have to depend on handouts of Yankee treasure and know-how.

Now, much of the resentment has vanished. Europe is healthy again. Gold reserves are climbing; currencies are convertible or nearly so. Industry is more modern, more efficient, more competitive. The European can talk to the American businessman as an equal.

The Europeans realize that in their fast-expanding market of some 300 million persons they have something the Americans want—and need. And there's a tinge of superiority in their belief that European technology and research may be ahead of ours. Why else would Europe be crawling with U.S. research directors scouting for new products and new techniques?

When a European executive seeks out a U.S. partner, licensor, or investor today, he is not so apt to come hat in hand. The European feels he has as much to give as to receive in the deal. And he is out to receive as much as he can.

Yet the idea that the U.S. business community leads the world in management and marketing technique is still deeply ingrained. Even the most anti-American manager (and you find them here and there) believes he can learn from the U.S.A.

For all the talk of the United States "pricing itself out of world markets," Europeans still have a healthy respect for U.S. competitive ability. They see the kind of work done by American companies in Europe. Even if the American giant is dozing again in some lines and some markets, the European says to himself: Once he pulls up his competitive socks, watch out.

"LE MARKETING HOT"

This is not to suggest that the European executive fears the idea of competition as much as he once did. Indeed, if there is one hot subject in European management today it is "le marketing"—with all its competitive implications. (And if there is one place where the idea is getting a whirl it is in France, where a new competitive *élan* has appeared after ten years of industrial modernization and one year of de Gaulle's economic realism.)

New advertising agencies are appearing, and old ones are blossoming out with all the appurtenances and slang of Madison Avenue. Salesmen are sought after and trained, there's new emphasis on packaging and supermarketing, and market research is booming —so much so that some thoughtful persons are concerned with the number of inexperienced practitioners and outright charlatans who are hanging out their shingles.

Some solid, pioneering marketing work is being done in Europe today. Some operatives could give lessons to their American mentors. Yet the idea that the marketing revolution bespeaks the acceptance of freewheeling competition is not true. There is a lot of lip service given to competition. But don't be fooled by it.

BUT NOT TOO MUCH

The president of one of Europe's premier auto companies explains it: "Be patient. We have a lot yet to do to develop a psychology of marketing and competition here in Europe."

The traditional attitude is one of protecting, conserving, sharing markets—tying them up in neat bundles, then apportioning them among the "responsible" enterprises. Perhaps this comes naturally in a continent ravaged by war and depression, cut up by boundaries, with limited consumer markets and a recent history of heavy government involvement in, and direction of, business. (Europeans are quick to point out that this attitude is not completely foreign to some industries in the U.S.A.)

Now the ebbing fear of catastrophe and the appearance of an insatiable consumer market has challenged this approach. The European manager sees stiffer competition coming. But he does not want it too fast. He wants to modify it.

Since January 1, according to *Business Week,* there have been 50 mergers or marketing agreements among companies in individual Common Market nations. There are a score or more between competitors in different Common Market nations.

Many more are not reported. European executives are scurrying about to strengthen trade associations, sign production and sales agreements, discuss mergers. To be sure, this is part of the process of slimming down, rationalization, that competition demands. Yet some of these arrangements seem to have a distinctly cartel-like aura

about them and may be designed to limit, not encourage, competition.

"We cannot have too much competition too fast," says a candid Dutch managing director. "Now this is off the record, but we have a new arrangement with X Co. of Germany, a competitor of ours. A 'gentlemen's agreement,' you might call it, and we like to do business with these gentlemen."

Many such "arrangements" will be strained to the breaking point as the European market grows and changes. But they are there today, and woe to the American who fails to recognize them when he sets up shop in Europe.

STABILITY ABOVE ALL

The American manufacturer coming to Europe may well need suppliers of components or what-have-you. He will get a good look at the production and planning attitudes of European management.

Start with the stereotype: There is an unlikely looking commercial garage in a suburb of a Swiss city. Upstairs, in a scrambled suite of rooms, is the headquarters of a small but highly-regarded producer of custom equipment, turned out in a plant in the neighboring countryside and sold round the world. The elderly owner-proprietor's office is dingy; he sits on a stool behind an old desk, its cubbyholes crammed to overflowing. The walls and a visitor's chair are festooned with catalogs and blueprints. The patron speaks:

"Now the business is picking up again, and soon I cannot possibly fill all the orders. And I cannot expand because this is all I can take care of. I wish the business curve would flatten out to a steady level . . ."

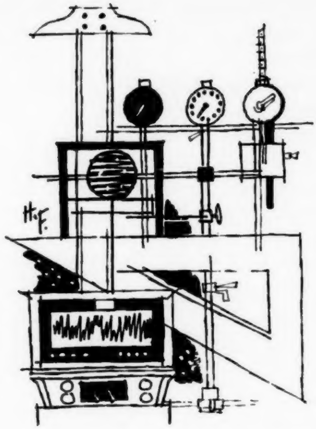
Like many of his colleagues, this Swiss fears overproduction, overcapacity, the need to lay people off. To Europeans, Detroit's 1955 auto production spree was nothing less than industrial anarchy. Better that order books be filled way ahead; better a comfortable steady profit than a windfall. Stability is the highest good.

"The factory here is like a family," says the works manager of a Dutch engineering goods manufacturer. "Some of these men have been with us 20 years, and we could not bring ourselves to lay them off."

Unlike the Swiss, this Netherlander's directors do want to expand. But they cannot quite figure out how to do it safely.

(*Continued on page* 56)

Foreign Research— Our Newest Import



By G. G. Carr

Condensed from The Iron Age

AMERICAN industrial research is going in for the "continental look." A growing number of companies are going overseas for scientific and research personnel, laboratory facilities, and new-product ideas.

"We in the United States cannot afford to try to do everything ourselves," points out W. W. McDowell, vice president of engineering and research for International Business Machines Corp. One basic reason is the present acute shortage of U. S. scientists trained in particular fields. With little prospect of this shortage easing in the near future, foreign scientists represent a valuable technical manpower pool which U. S. industry cannot afford to overlook.

As a plus, companies with sizable domestic research facilities can often benefit from the different approaches and orientation of overseas personnel. U. S. firms with experience in this area almost invariably report that these differences are stimulating and rewarding, rather than being irksome.

Companies with specialized problems can be prime prospects for foreign researchers. U. S. science, overall, is as fine as any in the world, but it has its inevitable weaknesses. Domestic soft spots can often be bolstered by foreign specialists. And scientists themselves are the first to point to the international character of their work, which ultimately depends on the continuous worldwide interchange of information.

Finally, and of major importance, actual research costs are still considerably lower overseas than in this country for the same work. U. S. firms are repeatedly finding they can afford qualified professionals and assistants overseas for projects which would be economically forbidding at home.

Methods for gaining access to foreign scientific thought and talent can vary widely, and no way is necessarily better than another. Most firms,

suggests Mr. McDowell, will develop the combination best suited to their own needs and resources. A sound first step is careful study of foreign technical and industrial publications, which in itself can often yield valuable findings and leads.

A more elaborate method is hiring foreign consultants in fields of special interest. These men, properly selected, can provide knowledge and advice to complement domestic sources.

A variation is the establishment of "listening posts" manned by qualified technical personnel based in key overseas areas. Their basic function is to keep constantly in touch with current university and industrial research in their areas, with special emphasis on personal contact with key individuals.

To exploit foreign science more directly, several companies now sponsor research work in foreign laboratories just as they do in the United States. Such sponsorship can have very real benefits, both from business and national standpoints.

Still another method involves establishing cross-licensing or similar working agreements between a U. S. company and its foreign counterpart. This method, in addition to broadening the product base for both companies, can provide technical information exchange on a fairly sophisticated level. One variation of this is an agreement whereby the U. S. firm handles research in one area while the foreign company concentrates on different fields.

The most ambitious approach is, of course, the establishment of a foreign research laboratory. So many factors can be involved in both the decision for such a project and its execution that it is difficult to do more than suggest some basic considerations.

First, of course, is availability of qualified personnel. Proximity to other foreign facilities or markets a given company may have is important. Cost and standard of living in suggested areas should not be neglected, particularly when American personnel are involved.

As an alternative to foreign laboratories, some companies have turned to importing technical personnel to work in domestic facilities. Such men are usually not hard to find. But great care must be taken in their selection, to get the top professional and personal qualifications. Suggested sources are universities, industry, immigration offices and refugee services, and recommendations from men previously obtained. ♦

EDITOR'S NOTE: It has been pointed out to us that a sentence in "Skullduggery on Wall Street," a digest from *The Wall Street Journal* appearing in the July issue of THE MANAGEMENT REVIEW, may give the erroneous impression that there is a connection between the National Quotation Bureau and the National Association of Securities Dealers. Actually, no such connection exists.

OFFICE BEAUTIFUL

EXECUTIVE SUITES MADE TO ORDER

By Jane Krieger

Condensed from The New York Times Magazine

BEHIND the sheer glass walls of the nation's handsome new office buildings, an army of interior decorators (or interior designers, as the current phrase has it) is at work, trying to give the U.S. business executive a better front. If he is dull and wants to look dynamic, the decorator may prescribe a snappy black and white office with one bright red wall behind his desk. If he is short and wants to look tall, the decorator may get him a huge table-desk, seven feet long but six inches lower than standard. If he has white hair and good features, he may find himself sitting in front of a wall of navy blue flannel because his decorator thinks it will "set him off." If he is cold-looking and wants to look homey, a chintzy Early American background is for him.

"Today, the office is the major symbol of executive authority," says Maurice Mogolescu of Designs for Business, a leading firm in the field of office décor. "A man's office does a public-relations job for him; it is his signature."

Ward Bennett, who designs contemporary business settings, says they pay off in prestige and in better business: "Unquestionably, taste commands respect. A handsome office gives its occupant a psychological advantage in his business battles. Besides, the feeling that his office was tailored to his needs and personality does a lot for his ego."

A business moving into a new building today rents only space—the bare floor area. It must determine where it wants inner walls placed and what kind of walls they should be, where it wants the telephone and electrical outlets, the air-conditioning ducts and other equipment. Since space in the choice buildings rents from $6 to $9 annually per square foot, compared with $2 or $3 a few years ago, every square inch must be properly utilized.

One company with half a floor in the new Corning Glass Building on New York's Fifth Avenue spent $25,000 on interior design. Another with a floor and a half at 666 Fifth Avenue spent almost $2,000,000. A company taking over 20 floors in a building now going up on the Avenue of the Americas will spend between $10,000,000 and $12,000,000 on its offices—including glass walls and a pool in the reception room.

While office decorators are, for the most part, concerned with the space allotted to ordinary troops, they find the greatest challenge in setting up offices for the brass. Generally, they urge modern furnishings for Executive Row. Itkin Brothers says most

men, want an office of the latest design. But decorators will go traditional for the men at the summit, or for businesses that need to put up an old-fashioned front for psychological reasons.

The modern office decorator starts by stressing Function and soft-pedaling Esthetics. He argues that contemporary is easier to maintain and more economical in the long run than traditional décor. He persuades the client to buy new furniture because the old stuff takes up too much space, to install luminous ceilings because such lighting is efficient, to use rugs and curtains for acoustical reasons. By this time, the client is taking a lively interest in décor, and persuading him to invest in an original painting or a piece of sculpture is relatively easy. The results please his eye and he is agreeably aware that they impress his associates.

"The client's individuality must be preserved," says the modern decorator, but he has his own ideas about how to do it. No matter how much the client might like boats, he would be discouraged from keeping a ship model on the mantelpiece (or keeping a mantelpiece at all, for that matter). But the decorator might design him a desk with cleats as drawer pulls. And the desk, incidentally, would probably be fitted to the client's physical measurements.

Modern decorators will allow the invasion of a period piece if the client really hankers for it. "If a man is nostalgic for fine tooled leather and oak, I'd let him have an antique inlaid desk," said one designer. "But you can't give him his head or he'll have a cobbler's bench in there."

Then there is the question of color. Decorators claim it is pointless to ask the average businessman what his favorite color is, because he doesn't know. Florence Knoll of Knoll Associates asks her clients the colors of their cars, their favorite ties, their favorite rooms at home—and then she decides what they like. Another decorator says: "If the client comes in several times wearing blue or gray suits, you don't give him a green room because it would clash with him. If he is an excitable type, you might give him a blend of calming colors—soft shades of blues, greens, and yellows. If he's a prosaic fellow, you give him a vibrant background to make him look electric."

Furniture arrangements in the modern office are carefully designed to promote informal discussion and reduce tension. Michael Saphier Associates points out that if you, as a potential buyer, call on a businessman and he seats you on a sofa across a coffee table from him, you will be more likely to relax and buy whatever he is selling.

According to the modern decorator, the business executive who sits behind an ornate, oversize desk with heavy pedestals and drawers is basically insecure; the desk serves as a barrier, protecting him from callers. The mature, efficient executive, says the decorator, can function with either a clean-lined desk with a few drawers, or with a plain table.

The trouble with all of this, critics say, is that many executive offices are beginning to have the antiseptic look of living rooms in contemporary home-furnishings magazines. There is the white, white office with a Miro paint-

ing hung carefully off-center and a lighting system of plastic squares that eliminates shadows—like the interior of an icebox. There is the beige and walnut office with nondescript tweed upholstery and bright orange "accents"; the yellow office with pre-Columbian accessories ("pre-Columbian is very chic this season"); the indoor garden office where the caller wends his way through a jungle of lemon trees and curlylocks ivy to get to the black Formica table that serves as a desk.

Despite the emphasis on modern along Executive Row, company presidents and board chairmen frequently manage to keep their Sheratons and their ship models. "The higher the echelon," says Russell Lynes in his book *The Tastemakers,* "the more old-fashioned the surroundings." (A notable exception is the communications industry, whose top brass considers itself "avant-garde.")

In New York's Seagram Building, a contemporary architectural showplace, the offices of Seagram clerks and lower- and middle-echelon executives are starkly modern. But the hierarchy at the top is housed in offices with Chippendale chairs, 18th-century satinwood desks, and an Irish hunt table, all purchased through antique dealers in London. Across Park Avenue at Lever House, another contemporary building, the walls in the president's office are hung with floral prints and an antique barometer, and in the executive dining room hangs a fragment of an antique Persian tapestry.

The tradition-loving executive says he feels "more comfortable" surrounded by antiques than by "a clinical-looking assortment of chrome, plastic, and chicken wire." Traditional decorators, bucking the trend, say he looks better, too. "It's much harder for a man to be impressive against stark, dynamic modern stuff than against a traditional setting," says decorator Ellen McCluskey. "In an 18th-century English background, for example, a paunchy man will tend to look dignified. Against modern, he just looks fat."

Certain types of business stick to traditional décor for psychological reasons. An investment banker in Wall Street explained, "The areas our clients do not see—work areas and most of the executive offices—are functional and contemporary. But the areas into which we invite the clients—the reception rooms, the board room, the top executive offices—are entirely traditional. We handle people's money and we want to reek of conservatism."

Attorneys also go in for period décor. The average attorney seems to cultivate a vintage look in his office, perhaps so potential clients won't worry about the fees. (Doctors, on the other hand, generally prefer modern décor, possibly to show their patients that they are thoroughly up to date.)

For big business as a whole, décor has undoubtedly become big business. What accounts for this interest in esthetics on the part of the dollar-conscious American businessman? A Freudian psychoanalyst the other day explained it all: "The businessman who has his office redone is motivated by one of the most basic drives," he said. "It's deductible from his income taxes." ♦

As changing conditions make their names too general, too specific, or too confusing, scores of companies are getting themselves new ones . . .

"Nothing is changed but the name"

Condensed from Business Week

"THE TEXAS CO.," a major name in the U.S. industrial world since 1902, is no more. The company recently bowed to the general usage of "stockholders, customers, employees, and the general public," and changed its name to Texaco, Inc. A few days after the change, another corporation took a new name—Nehi Corp. turned into Royal Crown Cola Co. And General Shoe Corp., one of the largest shoe manufacturers, recently became Genesco Corp.

These changes are but part of a continuing trend toward adopting new corporate names as changing conditions make the old ones too general, too specific, or too confusing. In all, more than 70 New York Stock Exchange companies have changed names in the past three years, and countless scores of smaller concerns have followed suit.

Although there's a definite tendency to change names, it's practically impossible to spot a trend in the new names themselves. Some are picked to pinpoint more accurately the field the company is in; others come out with such amorphous generalities that they sound rather like a musical comedy librettist's notion of what a corporation name should be.

While the men looking for a new name usually start out with a short, snappy one as a goal (some experts insist that "recall is 50 per cent better" if the new name consists of just one word), sometimes when all opposing groups are appeased the final string of words is longer than the old one.

The whole point of the new name for Texas Co. is the use of the Texaco brand name, just as the Nehi switch is part of an over-all campaign to put more push behind Royal Crown Cola, the single drink—out of more than 100 different varieties—that accounts for 60 per cent of Nehi's total volume. In these cases, the actual selection of the new names was no problem.

But before General Shoe Corp. changed its name recently, more than 900 suggestions were tested on consumers. The company, now a big retailer and a maker of chemicals and

flat silver as well as shoes, wanted a name general enough to include all its present operations and any it might acquire in the future. "Tiffany," for instance—one of the stores that the company owns—was ruled out because of its connotation of luxury, which would not suit the company's many low-priced lines. The final winner was a coined word, already in use as the name of General Shoe's intracompany sales division: Genesco.

When National Cylinder Gas Co. changed its name last year, about 1,000 names were tested. A management committee then mulled over 20 selections made by consultants and ran legal checks on these names to make sure they were available. The committee finally selected three for further testing: Chemetron, Metrochem, and Crestmark. The final choice—Chemetron Corp.—was the only one of the trio that had been on the original list.

The job of picking a new name isn't always done so "scientifically." At American Gas & Electric Co., which hasn't owned any substantial gas properties since 1927, the directors used nothing but their own opinions in choosing the name. Before the deciding meeting last year, American Power Co. was the favored name (American Electric Co. had been rejected for fear the initials would be confused with those of the Atomic Energy Commission), but in a sudden burst of preciseness, the board finally settled on American Electric Power Co., Inc.

Sometimes the new names come from a merger, as when Smith-Corona, Inc., became Smith-Corona Marchant, Inc., Thompson Products, Inc., became Thompson Ramo Wooldridge, Inc., or Julius Kayser & Co. became Kayser-Roth Corp.

Sometimes the dominant element in the selection of a new name is the recognition of the personality in control. Since Albert A. List and his family owned 47 per cent of RKO Industries Corp., it seemed reasonable to change the name to List Industries Corp., just as Jean Paul Getty, owning 81 per cent of Pacific Western Oil Corp., changed that name to Getty Oil Co.

The switch of title to capitalize on an accepted brand name, as in the Nehi-Royal Crown Cola case, is fairly common. Thus Felt & Tarrant Mfg. Co. turned into Comptometer Corp., Wooster Rubber Co. into Rubbermaid, Inc., and Fruit Industries, Inc., became Tropicana Products, Inc.

Sometimes a name change reflects a change in product lines (National Distillers Products Corp. to National Distillers & Chemical Corp., or National Department Stores Corp. to International Mining Corp.). And sometimes there are very individual reasons, as when the L. A. Young Spring & Wire Corp., headquartered in Detroit but plagued by mail mis-sent to Los Angeles, changed its name to Young Spring & Wire Corp.

There are times when a company looks high and low for a new name and just can't find one. American Seal-Kap Corp. of Delaware, which makes paper products, fabricates metal, and manufactures tire-making machinery, has long been looking for a name, but without success. Every one the board fancied—including the almost adopted American Common-

wealth Corp.—brought some objection from the legal counsel. Another frustrated company, Detroit Harvester Co., has been looking for a new name for 22 years, but is still Detroit Harvester Co.

Once a new name has been picked, the lawyers and the secretary's department take over. When Canada Dry Ginger Ale, Inc., became Canada Dry Corp., 632 foreign trade mark registrations had to be changed. After Canada Dry's Delaware charter was amended to include the new name, notice of this amendment had to be filed in all the other states where the company does business. Proceedings varied from state to state, with fees ranging from $2 in Connecticut, New Jersey, and Rhode Island to $50.01 in Illinois. Each of Canada Dry's liquor salesmen holds a personal license, and each of these licenses had to be changed. So did permits in 37 states, bonds, powers-of-attorney, truck and automobile registrations.

When all the bills are added up, a name change can be an expensive undertaking. When Socony-Vacuum Oil Co., Inc., became Socony Mobil Oil Co., the entire proceeding—from the first consultant survey to changing the last building sign—cost a bit more than $300,000. The General Shoe-to-Genesco figure, however, is more typical: "Less than $15,000."

But even when the change is a simple, inexpensive affair, like changing Design Service Co. of New York, Inc., to Design Service Co., Inc., the company still has the same major problem after the change: to convince the public that it really is the same old company they knew before. As Snyder Tool & Engineering Co. headlined its first newspaper advertisement after becoming Snyder Corp., there's "nothing changed but the name." ♦

Safety Programs Prove Their Worth

DO COMPANY SAFETY PROGRAMS reduce injury-frequency rates? The answer is yes, judging from a comparison of statistics compiled by the National Safety Council with those compiled by the Labor Department's Bureau of Labor Statistics. National Safety Council figures, based mainly on companies sponsoring safety programs, are significantly lower than those compiled by BLS, which were based on a sampling of companies with and without safety programs.

For example, the BLS sampling of companies in machinery-making showed an injury-frequency rate of 11.7 (disabling injuries per one million manhours of work), while the National Safety Council's survey of companies with safety programs in the same industry produced a figure of 6.0. The most striking contrast was found in the ship-building industry: 19.9 against 4.6. Some other comparisons: foundry, 25.3 against 10.3; construction, 31.2 against 19.1; chemical, 8.1 against 3.4; automobile, 5.1 against 2.6.

—*Industrial Relations News* 3/59

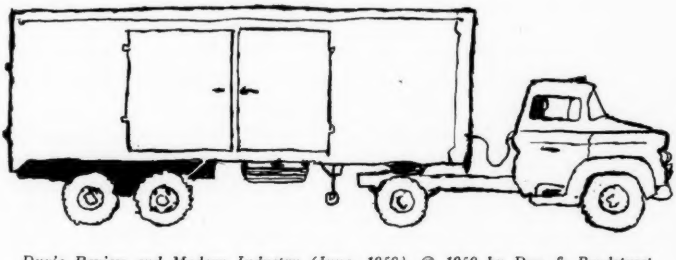
How Industry Stretches Its Transportation Dollar

Condensed from Dun's Review and Modern Industry

MANAGEMENT is gaining new control over the third-largest cost of doing business—transporting products and materials. This is the over-all conclusion to be reached from a survey of traffic management in 211 companies made recently by *Dun's Review and Modern Industry*. Sales in the surveyed group ranged from less than $1 million to more than $2 billion; almost all of the companies were manufacturers.

In 80 per cent of the 211 companies surveyed, top management has given increased recognition to the importance of transportation in the past few years. Clearly, the ability of transportation management to produce cost savings in the face of rising costs of distribution has been an eye-opener for many companies. For years, top-echelon attention has been directed toward achieving economies within the plant, but many companies now are nearing the point where no further in-plant economies can be achieved without major expenditures for new equipment. However, a modest investment in a traffic department budget often can produce thousands of dollars in savings.

For instance, an agreement between traffic and sales on shipment sizes can result in savings that may be as large as the profit itself on the shipments. And getting the advice of traffic on the kinds of packaging to be used for various shipments can prevent rate penalties being assessed because the packaging doesn't meet Interstate Commerce Commission requirements.



Among the surveyed companies, top management's new recognition has been reflected in many ways. But, generally, it has resulted in an upgrading of the traffic manager's job by making him a regular participant in top-management meetings or by requiring other departments to clear with him all matters in which he might have something to offer.

In about a dozen of the surveyed companies, the chief traffic executive actually has become a part of top management and has gained a voice in company policy making. But more commonly, the traffic manager of a manufacturing company has been made a member of such key committees as operations, product development, and budgeting.

At the same time, the responsibilities of traffic managers are broadening to include more than just rates and routes. In some cases, they are exchanging the old title for new ones like transportation director or distribution manager.

The expansion of responsibility has been matched by staff growth in many of the surveyed companies. More specialists in various phases of transportation are being employed today, and the directors of traffic are encouraging their employees to upgrade themselves through traffic school training.

Along with the upgrading of transportation management, there has been an important change in the traffic department's place in the corporate structure in the past few years. Increasingly, top management is coming to recognize the benefits of centralized control of both policy and procedures in transportation. Among the 152 decentralized, multiplant companies in the survey, 112 report that the traffic function is controlled from company headquarters. And 27 of these report that this new centralized set-up is a distinct break from the previous procedure by which each plant was left fully in control of its own traffic matters.

Decentralized companies with centralized traffic management are discovering that one of the most valuable ways to maintain control over transportation procedures at the plant level is through the use of a company-developed traffic manual. Sixty-three of the surveyed companies are now using traffic manuals. Although ten of these companies have had traffic manuals for more than ten years—one manufacturer reports having had one for 30 years—most were developed during the past five years. Eight were developed just last year, and thirteen other companies are now working on manuals.

The typical traffic manual translates the technical jargon of rates, ratings, tariffs, and classifications into language that even the neophyte shipping clerk should be able to grasp with a little effort. Many companies report that their manuals cut down correspondence and long-distance calls between plants and headquarters. Some companies furnish copies to their sales departments to help guide salesmen in their efforts to meet competitive prices.

Many traffic managers are developing annual reports for top management—reports that demonstrate that the department in charge of transportation not only pays its way, but returns a substantial profit. A prize

example is the traffic department at United States Gypsum Company, Chicago, which had an operating budget last year (not including freight charges) of $400,000 and chalked up total savings of $1.2 million, producing a net profit of $800,000.

Companies are using a wide variety of methods to rack up such savings in their transportation operations. Most frequently listed were: (1) consolidated shipments; (2) use of shippers' associations; (3) improved routings; (4) precise classifications; (5) private carriage; (6) improved auditing of freight bills; (7) rate negotiation; and (8) securing of commodity-rates volume discounts.

Other substantial savings also are being achieved. The director of transportation for a rubber-products manufacturer reports that his company is chalking up savings of $335,000 a year in its loading and unloading operations through the application of methods analysis.

He points out that ten years ago the shipping department employed 74 people who worked an average of 60 hours a week. Today, the same volume of shipments is being handled by 23 people and without any overtime. This has been made possible by better methods of handling, more equipment, and improved scheduling. Truck loading time has been cut from two and a half hours to eighteen minutes, and a record of every truck is kept to see how much time is used for the job.

All transportation is, in one way or another, materials handling, and it is not surprising that management is increasingly aware of the necessity for integrating these and other related activities. Already, roughly one traffic manager in five bears some responsibility for the choice of materials handling equipment for shipping and receiving operations. And, in addition, 50 per cent are consulted on the choice of such equipment. However, that leaves about a third who aren't even asked for their advice—advice that often might save thousands of dollars, for the method of loading has an important effect on demurrage cost, dunnage, packaging, and scheduling of the shipments.

Many of the surveyed companies are pressing ahead to integrate materials handling and shipping methods in order to achieve a smooth, low-cost flow of materials from the production line to the carrier's vehicle. Conveyor belts and other equipment are being used wherever possible to achieve an uninterrupted flow of material from the plant to the truck.

But despite these efforts, this area still offers immense possibilities for cost savings. Many traffic managers complain that too frequently the shipping area is the stepchild in top management's plans for the layout of new plants. Generally, the focus of attention continues to be on production.

Here's a rundown of the things that the surveyed traffic executives recommend doing to score improvements in the shipping area. In many instances, they are already paying off for survey respondents.

• Set up a conveyor system to segregate and sort shipments. The use of electronic memory units for sorting shipments as they move along conveyor belts is an important step forward in producing a smooth flow of shipments. Large wholesalers are profit-

ing from the good use of such devices in making up their shipments for individual retailers.

• Designate one executive to be responsible for external materials handling, packing, shipping, and transportation, and have him sit in on product planning, production scheduling, and plant layout committees—or at least work out better coordination among these functions.

• Develop unitized loads as much as possible in order to reduce manual handling to the minimum.

• See if automatic palletization, combined with powered roller conveyors, would be suitable for your operation.

• Work with carriers toward the goal of free movement of disposable pallets. This would speed up unloading and so provide carriers with more boxcars and trailers at little expense.

• Get your volume customers interested in the joint use and ownership of pallets.

• Cooperate with customers to develop standardized package sizes for easier loading and unloading.

Like several others, the traffic manager of the Mennen Company thinks that the ideal solution lies in the development of low-cost containers that could be loaded automatically as goods come off the production line. The containers could be used for storage if need be, and, when shipped, they would move from trucks to railroads or ships without being reloaded.

Industry still faces a big job in mechanizing the loading and unloading of shipments. Although 21 companies report that their loading and unloading operations are better than 90 per cent mechanized, the typical degree of mechanization turned up by the survey is 50 per cent. And for some companies, the percentage is much lower.

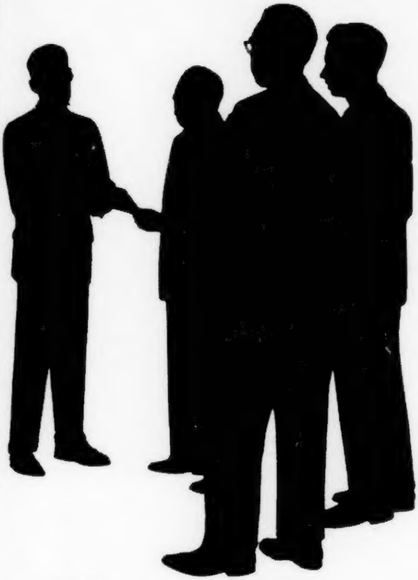
The surveyed companies are planning important changes in their transportation methods over the next five years. The change most frequently mentioned is the introduction of private carriage. About 15 per cent of the companies are planning to set up their own trucking operations during that time.

What will transportation be like in 1965? The people who should know—industrial traffic managers—look for more private truck fleets, greater use of piggyback, increased containerization and use of air freight, and integrated or coordinated service among various types of carriers.

A few even envisage the use of guided missiles for the delivery of freight. In fact, the Air Force is working right now on a cargo-carrying missile that can put a payload down without damage. ♦

A MAN SHOULD LEARN to detect and watch that gleam of light which flashes across his mind from within, more than the lustre of the firmament of bards and sages. Yet he dismisses without notice his thought, because it is his. In every work of genius we recognize our own rejected thoughts: they come back to us with a certain alienated majesty.

—Ralph Waldo Emerson



HUMAN RELATIONS: *There'll be some changes made*

By Chris Argyris

Condensed from Management Record

WHAT WILL HAPPEN to human relations policies and practices over the next few years? Predictions of trends in a field like human relations are risky, of course. Yet there seem to be definite indications that the following changes in company human relations policies are in the making:

1. *A change from the policy that insists that people should like each other, to a policy that permits freedom for people to dislike as well as to be friendly.*

After all, it is unrealistic to expect all people to like each other. It may be harmful to the individual and to the company to enforce such a policy. Freedom to express one's hostilities need not stifle cooperative effort and, in fact, can often enhance it.

2. *A change from the policy that emphasizes individuals as the most important part of an organization, to a more realistic position that individuals are important but so are other parts of the organization.*

Employees are not fooled by exaggerated, insincere talk of their "importance." They are likely to view such talk as evidence of management's feelings of guilt about being the boss. Or they may regard it as conscious manipulation that betrays management's basic lack of confidence in the individual. Most employees recognize and are willing to accept the importance of the organizational requirements put upon them.

3. *A change from the policy that employees—particularly managers—should become so closely intertwined with the organization that they are inseparable and indistinguishable from it, to the policy that people should give of themselves without giving up themselves.*

4. *A change from the policy that maximum communication from management to employees is best, to the policy that optimum communication is not necessarily maximum communication.*

Management Record (March, 1959), © 1959 by National Industrial Conference Board, Inc.

Managements anxious about communicating to their employees are likely to clog up the channels with too much noise. Sometimes they forget to listen, and sometimes they communicate information that either baffles employees or makes them defensive. One sign of confidence in a relationship is silence.

5. *A change from the policy that an effective organization is one with high production, low turnover, low absenteeism, and low grievance rates, to a policy that emphasizes the total health of an organization.*

Research indicates that the traditional objectives of profit can be achieved even by employees who are apathetic, indifferent to the company, and alienated from their management and from each other. Such a situation can cause an organization to become increasingly rigid and defensive, to the point where management fails to see the necessity for organizational change and growth.

6. *A change from the belief that executives can develop their subordinates' skill in interpersonal relations and in diagnosing administrative situations, to the belief that no one can develop anybody except himself.*

Much of what goes by the name of management development today consists of developing people in the image of a select group of executives. The responsibility of management is not to develop people, but to provide the climate and the opportunities so that they can develop themselves.

7. *A change from the policy of using management-development programs to teach a manager how he ought to think and act, to a policy of helping him learn how to learn.*

Development and change will characterize management during the next 20 years. The manager who is taught too specifically what to do may find that his knowledge is not applicable to the situations he eventually must face. More emphasis should be put on the learning processes themselves, on the techniques of diagnosing situations, and on the ability to learn from experience. ♦

EDITOR'S NOTE: *This digest is the second of three based on papers representing different points of view on human relations that were presented at a National Industrial Conference Board meeting earlier this year. The third digest will be presented in a future issue.*

AMERICAN MANUFACTURERS who are alarmed about increasing competition from foreign firms in the U.S. found their worst fears justified by a recent paid announcement in a New York newspaper. The advertisement stated that Mr. Denis C. Rose, managing director of Chix Confectionery Co., Ltd., would be in New York City for four days. The purpose of Mr. Rose's visit: "To see any companies interested in importing top-quality English Bubbly Gum."

—*Fortune* 7/59

What makes product development programs unsuccessful? A study of 100 companies reveals the four main reasons . . .

Why New-Product Programs Fail

By Jack L. Davies

Condensed from Sales Management

MILLIONS of dollars are going down the drain for product development programs that fail to achieve a reasonable return on investment. Why? A lengthy study of 100 companies' experience with product development indicates that four common management errors are responsible for most new-product failures:

1. *Failure to formulate the objectives of the product development program.* The way many managements commit substantial funds to product development might be likened to the children's game of "pin the tail on the donkey." Although increasing amounts of money are being spent for development, the study found that only 42 per cent of the companies responding had stated their development objectives in a formal, specific way.

Of even more significance is the fact that among companies expressing greatest satisfaction with development results, 50 per cent formalized objectives in their planning, while among companies indicating greatest disappointment with results, only 20 per cent did so.

How can management set up sound objectives for a product development program? In any business, there are key areas where decisions must be sound or, over the long term, the enterprise cannot succeed. Identifying such key factors requires a deep understanding of the business involved. What are the basic economics? What precisely will added volume mean? Is growth possible on the present product base? Can capital be attracted to support growth? What is the significance of innovation? Is the future one of building on a continuing product-life cycle, or must resources be pumped into a wholly new stream of product effort?

This kind of questioning will tell management a great deal about what kind of product development is needed, and when. Such analysis, for example, helps in understanding the different development needs of mature and of dynamic industries.

Other circumstances also affect the setting of objectives, judging from the survey results. These have to do with strengths and weaknesses in the organization itself. Many respondents talked of financial limitations, others pointed to lack of adequate personnel, still others to marketing weakness. Without clear recognition of these circumstances, goals might easily be-

come impractical, even unattainable.

2. *Overparticipation by top management in the day-to-day conduct of development activities.* The determination of development goals certainly is a top management responsibility. There is evidence, however, that in companies where development results have been disappointing, top managers have frequently extended their participation in development well beyond the setting of goals. All too often, product development is fair game for everyone in top management, in every phase of the effort.

There are reasons why it becomes everybody's business. The inherent interest and drama make every key individual eager to claim a share of this activity. Also, it often turns out that where goals have not been clearly set, the product development people themselves are at sea. Their confusion and their inability to utilize their best creative efforts encourage top management to dabble.

It is clear that top management men feel they should maintain close control over product development activity. Almost 45 per cent of the respondents said the development function reports to the chief executive. Although the sample included many smaller firms, this tendency was clear in larger organizations as well. More significant, however, was the fact that an additional 40 per cent of the firms indicated that the development function reported to the vice presidents, and top management staff, and the executive committee, or in other words, to anybody in top management who was interested.

Management justified this unusually broad interest on the grounds that product development cuts across many organizational lines. The thought was often advanced that broad top management participation was essential for the generation of good, valuable ideas. "We want everybody's thinking!" was a common expression. Despite such views, the study found:

Among companies reporting the very best results, the development function reported to a broad top management group in about 25 per cent of the cases. Among companies reporting great dissatisfaction with results, this was true in 70 per cent.

Among companies reporting best development results, top management was considered a poorer source of good development ideas than in firms that reported greatest dissatisfaction with results.

Finally, there was evidence that among companies believing that their "wide participation" was a strength, results were actually reported to be less satisfactory than in firms where broad participation was not mentioned as an asset.

This does not mean that top management should not be highly concerned about development. But management domination of an activity does no assure success. Product planning and development require coordination, of course. But so does the industrial relations function, for example, or a specific marketing project that involves advertising, in-store promotion, field sales effort, and production. Top management delegates the responsibility for coordinating these activities.

It may well be that more effective definition of objectives would enable management to set up clear-cut or-

ganizational responsibility for development. The findings point to this conclusion: Top management probably ought to concentrate its participation in development on setting objectives, approving recommendations, and evaluating results.

3. *Reliance on pat formulas to carry through a program that needs tailor-made arrangements.*

Too often managements adopt package approaches to the organization of development activities. There seems to be a belief that some special formula exists that will work in almost any business.

There is no evidence that this is so. For some companies, for example, a committee arrangement may be the best approach. In others, it may be more effective to assign product development responsibility to an individual who will report to a member of top management. The important thing is to adapt arrangements to the strengths and weaknesses of the particular company.

4. *Failure to use sound administrative practices and formal operating procedures.*

The survey tried to determine how many companies used formal screening criteria and formal evaluation of results. In screening ideas, specific formal criteria were used by only 40 per cent of the companies responding to the survey. Of the firms reporting best results from their development efforts, however, approximately 50 per cent used formal criteria; only 20 per cent of the companies experiencing poor results did so.

In evaluating results of development activity, disparity in use of formal techniques was even greater. Here, only 35 per cent of the total survey sample used formal methods of looking at development results. However, 62 per cent of the companies reporting good results used formal methods, while only 10 per cent of the companies experiencing poorest results used them.

The potential value of both formal screening of ideas and regular evaluation of results was further suggested by an analysis of weaknesses described in individual company development programs. Common shortcomings stemmed from failure to evaluate adequately all circumstances surrounding a proposal. There appeared to be too many loopholes in fact-finding; too little control over the effort.

From the analysis of general comments made, and from the disparity in practices between firms achieving best and poorest results, it seems certain that more hardheaded, formalized study of proposals in advance of action will represent time and money well spent. Compulsory evaluation of results is equally desirable. ♦

THE BEST SECURITY against revolution is in constant correction of abuses and the introduction of needed improvements. It is the neglect of timely repair that makes rebuilding necessary.

—Richard Whateley

BRIEF SUMMARIES
of other timely articles

GENERAL

THE RAREST MAN IN BUSINESS. By Perrin Stryker. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), May, 1959. $1.25. What makes a leader? In this article, the author examines the nature of business leadership and reaches some conclusions on what a leader is—and isn't. Among his comments: a man may be a paragon of executive competence without being a leader; a great industrial leader may be a wretched executive; an industrial leader may in turn seem brilliant, inarticulate, humanitarian, cruel, idealistic, flexible, obstinate—a contradictory mixture of good qualities and glaring defects; the true leader will always have a cause—perhaps a towering vision; and although he may not always feel certain of his course, he knows that a show of indecision will weaken his power to lead, and he dares to guide others with the conviction that he knows the right direction better than they do.

AMERICA'S TOP PLANTS OF THE YEAR. *Factory* (330 West 42 Street, New York 36, N.Y.), May, 1959. $1.00. This special 113-page section presents the ten plants selected by the magazine as the "top plants of the year" for their excellence in buildings and grounds, maintenance and electrical management, materials handling, and production control. Making the awards for the 25th consecutive year, the editors offer a foldout chart giving detailed specifications of the top plants, articles on how the winners chose their plant sites, and tips on some of the operating methods they use in their new plants in such areas as maintenance and handling.

CORPORATE SIZE AS COMPANY PRESIDENTS SEE IT. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), May, 1959. 75 cents. Is small business being stifled by the corporate giants? The answer is no, according to this survey of the presidents of 104 big and 121 smaller industrial companies—75 per cent of the small-company respondents stating that the leading company in their industry is "a constructive factor." Other conclusions: (1) small companies falter from lack of planning and capital; (2) few small companies favor shackling big concerns by legal limits on size; (3) large and small agree that the biggest threat to industry in general is governmental interference.

HOW TOP SALARIES WEATHERED THE RECESSION. *Business Week* (330 West 42 Street, New York 36, N. Y.), June 13, 1959. 50 cents. This annual *Business Week* survey of executive compensation gives a breakdown by companies of the 1957-58 salaries of corporate executives in a cross-section of U.S. industry, and reveals that, although the corporations divide almost equally into those that upped pay, those that cut pay, and those that held steady, the lower pay levels occurred mostly among chief executives for the second year in a row. Many top-paid men were dropped from the $300,000-and-over list, and, although the president of Bethlehem Steel received $511,249—the highest figure reported for 1958—it was more than $100,000 below his 1957 compensation and close to $300,000 less than the figure for the company's 1956 president.

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INDUSTRIAL RELATIONS

HOW TO HOLD KEY EMPLOYEES WHEN YOU MOVE YOUR BUSINESS. By R. F. Lander. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), May, 1959. 75 cents. Relocating a plant or office can mean the costly loss of key personnel, but there are ways to keep the loss to a minimum, says the author, who gives the case history of a company that relocated with the loss of only 14 per cent of its personnel instead of the anticipated 30 per cent. The successful plan of action—which saved the 300-employee company an estimated $50,000—consisted of: (1) keeping the employees fully informed on the company's moving plans; (2) selling the employees on the benefits of living and working in the new location; (3) helping the employees with their moving costs and other problems; and (4) hiring needed replacements at the new location before the actual move.

LISTENING: WHAT PRICE INEFFICIENCY? By Ralph G. Nichols. *Office Executive* (1927 Old York Road, Willow Grove, Pa.), April, 1959. 50 cents. The average person spends 70 per cent of his waking day in verbal communication, 45 per cent of which is spent in listening; yet unless he has had specific training in listening techniques, his efficiency in using this skill is only 25 per cent, according to this article. The author discusses ten bad listening habits to be avoided—such as being influenced by emotional words or faking attention —and for the management that wants to get through to its employees, he recommends making an effort to better understand their attitudes and opinions.

MARKETING

WHAT YOU SHOULD KNOW ABOUT INDUSTRIAL SALES ANALYSIS. By Keith J. Evans. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), May, 1959. 50 cents. The disinclination of many industrial salesmen and sales managers to spend time poring over figures often makes it tough for a company to get its money's worth from a sales analysis program, says the author. Here he outlines the steps involved in setting up and operating an effective program, with emphasis on two pitfalls: (1) getting in too deep with an unwieldy, time-consuming system; and (2) having an impressive plan on paper—with neither sales management nor salesmen taking the time to use it regularly.

76 WAYS TO MAKE THE TELEPHONE SELL FOR YOU. By Theodore Allen Johnson. (Prentice-Hall, Inc., 415 East 52 Street, New York 22, N.Y.) $1.00. These 76 ways of using the telephone to make more sales have been tested and proven profitable by salesmen, says the author of this brochure, maintaining that the telephone as a selling tool can aid in: (1) finding prospects, (2) locating pre-sold customers, (3) weeding out deadheads, (4) proving benefits, (5) closing sales when practical, (6) increasing the size of sales, (7) cultivating customers, (8) building good will, (9) cutting selling costs, and (10) doing market research.

HOW MANY SALESMEN DO YOU NEED? By Walter J. Semlow. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), May-June, 1959. Reprints $1.00. As an aid to seasoned management judgment, the author presents a practical method for determining the number of salesmen needed in a field organization to achieve the optimum volume-expense-profit relationship. The method, which is illustrated with an

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actual case, involves: (1) plotting territorial data, (2) charting the relationship between sales potential per territory and sales volume per 1 per cent of potential, (3) computing projected total volume with varying numbers of salesmen, and (4) determining operating profit with varying numbers of salesmen.

RESEARCH AND DEVELOPMENT

THE PROJECT MANAGER. By Paul O. Gaddis. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), May-June, 1959. Reprints $1.00. In new and expanding fields like electronics, nucleonics, and astronautics, a new type of manager is being bred: the project manager, whose job it is to create a piece of advanced-technology hardware. In this article, the author points out how the project manager's job differs from that of the conventional manager and suggests four qualifications a project manager should have to be successful: (1) his career must have been molded in the advanced-technology environment; (2) he must have a working knowledge of many fields of science; (3) he must have a good understanding of general management problems; and (4) he must have a strong, continuous interest in teaching, training, and developing the supervisors working under him.

A GUIDE TO WELDING IN PRODUCT DESIGN. By Arthur Gregor. *Industrial Design* (18 East 50 Street, New York 22, N.Y.), June, 1959. $1.50. This first of three articles on fasteners and fastening methods presents a guide for product manufacturers on welding techniques—techniques that can either conceal a joint or incorporate it in a product's design. In analyzing the merits and drawbacks of this familiar joining method (the weld offers a high degree of adaptability, is leakproof, and results in weight reduction, but can be messy and time-consuming), the author discusses the standard methods in use in shops and those still part of industry's avant-garde, and indicates just how welding can be a significant tool in design.

FOREIGN OPERATIONS

HOW SAFE ARE YOUR FOREIGN INVESTMENTS? By Herbert M. Bratter. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), June, 1959. 75 cents. Although tax tangles, shaky economic conditions, and political power plays have proved disastrous to some foreign investments, the successes abroad—bringing in 15 per cent of all U.S. corporate profits after taxes — have outnumbered the failures, the author contends. Emphasizing that investment ventures abroad inevitably run risks—such as nationalization of investments, the "saturation of industry" doctrine, and Communist agitation, to name a few—he presents a check list for novice foreign investors and discusses two protective measures: licensing and International Cooperation Guarantees.

FRANCE: INCREDIBLE ECONOMIC RECOVERY. *Business Week* (330 West 42 Street, New York 36, N. Y.), June 13, 1959. 50 cents. France's gross national product will be slightly ahead of Britain's and Germany's by 1970, according to this article, which describes a financially stable France whose year-end gain of $1 billion evidences a remarkable economic recovery achieved in spite of the Algerian war, debts, wage demands, and old-fashioned business methods. Credit for the recovery is attributed primarily to the leadership of de Gaulle, but other influencing factors include increased population growth, trade expansion by way of the European Common Market, oil discoveries in the Sahara, and return on investments made in the last decade.

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What Makes Ivan Run?

(*Continued from page* 8)

There is still another incentive feature in Soviet industry, one that affects both management and workers: the so-called Directors' Fund. The Directors' Fund is essentially a profit-sharing arrangement. Each enterprise has a planned level of profit, because the state sets the prices and wages of all its factors of production, the prices at which it must sell its products, and the level of output it should achieve. Profits can be increased—that is, over-plan profits can be earned—if output can be raised above plan or if costs can be reduced below the planned level. The state allows the plant to stash away into its Directors' Fund only from 1 to 5 per cent of its planned profits, but from 15 to 45 per cent of over-plan profits. This encourages management to raise output as high as possible and to keep costs as low as possible.

The money in the Directors' Fund is used for bonuses to both management and workers, for housing for workers (and, because of the terrible housing shortage in the Soviet Union, this is probably valued more highly than monetary bonuses), and for social and cultural projects (libraries, clubhouses, etc.) in the factory community. The evidence available to us indicates that the output bonuses and progressive piece-rate earnings loom more importantly for Soviet wage-earners and managers than do disbursements from the Directors' Fund, but the latter do have a positive effect.

NO INCOME TAX?

The salutary effect on incentives of the various payment systems mentioned above would be blunted if highly progressive taxes tended to reduce earnings differentials, or if those with larger earnings were not able to use their earnings to buy desirable consumers' goods. The Soviets tax their population very heavily; between 40 and 50 per cent of personal income returns to the state annually in the form of taxes. But these taxes are almost exclusively hidden sales taxes on consumers' goods, are not progressive, and probably have little or no impact on incentives. The income tax is small and has an upper marginal rate of only 13 per cent on all income over 12,000 rubles a year—not a rate calculated to discourage effort.

At the Twenty-First Party Congress a few months ago, Khrushchev recommended abolishing the income tax entirely, and this recommendation will undoubtedly be implemented next year.

Incentives undoubtedly suffer because the range of consumers' goods available to the population is not what it might be. Certainly, if better apartments, new television sets, and automobiles were available to everyone who had the money, the work-effort in industry would increase. On the other hand, the consumers' goods picture should not be underestimated. Although it is estimated that the waiting time for obtaining a private automobile is more than two years, the possibility of eventually owning one is undoubtedly important to those in the higher income brackets. A small auto sells for about 25,000 rubles—three times the average annual wage of an ordinary worker, but well within reach of the higher paid managers, engineers, academicians, artists, and political functionaries. Perhaps even more important for the average worker who doesn't have much clothing and hasn't eaten too well in the past, such luxuries as bicycles and radios are now being produced in fairly large quantities and provide many interesting and satisfying ways of spending his wage.

INCENTIVES IN AGRICULTURE

Until about 1955, the incentive system was as bad in agriculture as it was good in industry. The peasants were herded into some 90,000 collective farms—technically, cooperatives owned and operated by peasants who shared in the profits after all farm expenses and taxes were paid. In fact, however, the farms were run by managers who were subservient to the wishes of the state. Furthermore, while the peasants did share in the profits, there were precious few profits for two reasons: First, the state required each farm to hand over a substantial part of its output each year at very low prices—roughly 20 per cent of cost. This amounted to a large tax in kind. Second, the farms had no tractors, combines, or other large equipment of their own, but had to rent this equipment from the state-owned Machine Tractor Stations. Needless to add, the price (in produce) extorted from the farms for the rental of this equipment was typically very high.

This left very little of the crop for the peasants to sell or divide

among themselves. And the way the remainder was divided was not calculated to encourage effort. Each peasant received credit for number of days worked, multiplied by a coefficient to take account of differences in type of labor. At the end of the year, when the profits had been calculated, each peasant received a share commensurate with his labor input as indicated above.

There were three difficulties with this method: the share was small, it was difficult to get a peasant to work hard in February for a share to be received the following January, and a peasant who sat behind a haystack and slept every day got as large a share as one who worked conscientiously.

REORGANIZING FARM INCENTIVES

The results have been as one might expect: Industrial output has grown by leaps and bounds while agriculture has stagnated. Over the past 30 years, industrial output has grown about eightfold: agricultural output, on the other hand, has probably not increased by more than 50 or 60 per cent.

The system of incentives is not the only factor in the picture, of course. The Soviet leaders have been much more interested in industry than in agriculture, and they have poured the bulk of their new investment into plant and equipment that would increase industrial and military might. On the other hand, incentives have been an important determinant of agricultural productivity and the present reorganization in agriculture is an indication of this fact.

Since 1955, the following changes have been made: the state has begun to pay much higher prices for farm deliveries, thereby more than doubling peasant income; the farms are now allowed to buy and own their own machinery, and the Machine Tractor Stations are being abolished; on many farms, peasants are now being paid monthly or quarterly on the basis of expected profits; and, finally, piece-rate systems and bonuses are being introduced wherever feasible. It is too soon to judge the effect of these measures, but it will undoubtedly be salutary.

ECONOMIC STRENGTHS AND WEAKNESSES

The common misconception that, since Soviet industry is planned, effective work incentives do not exist, is far from true. This

certainly does not mean that the Soviet planned economy is necessarily better than ours, but simply that its weaknesses are not in the area of work incentives. Its weakness lies in the difficulty of planning, organizing, and integrating an enormous economy of hundreds of thousands of enterprises and millions of people without taking full advantage of the free market.

The free market *is* used to distribute consumers' goods and to allocate labor—and in these areas it works efficiently. On the other hand, investment decisions are made by planners rather than plant managers, and almost all interenterprise transactions are handled by direct allocation, as was the case with steel, aluminum, and other crucial commodities in the United States during the war. To date, the planners have not proved as successful in their efforts in these areas as Adam Smith's "invisible hand."

The present reorganization of Soviet industry, which has recently received so much publicity in this country, is the last of a long line of similar attempts to improve the technique of direct planning by controls. There is no reason to believe that it will be much more successful than its predecessors, but, in combination with the concentration on industrial production and the monetary incentive system, it will undoubtedly work well enough to enable the growth rates of Soviet national income and industrial production to continue at their present high rates. ♦

On Becoming More Creative

(*Continued from page* 13)

confused excitement that creative activity engenders are something from which they ordinarily flee. Thanks to the concrete and practical background of their education and experience, they need a well-defined and clearly blueprinted purpose in view to move with concentration, energy, and courage toward a goal. How can such executives suspend their logical and orderly habits of thought in order to improve their creative performance?

In order to gain a respite from their judicial orientation and the conservative and established ways of thinking, creative people have often sought complete relaxation. A relaxed or even fatigued state of mind affords an escape from the judicial censor that rules during our more wakeful moments of the day. For how otherwise can we explain the frequent claim that the ideas creative people value most occur to them during passive and relaxed states—or even under fatigued or half-waking conditions? It is, for example, well known that Newton solved many of his problems when his attention was waylaid by complete relaxation. Similarly, Edison knew the value of half-waking conditions, and whenever confronted with a seemingly insurmountable hitch that defied all his efforts, he would stretch out on his couch in his workshop—brought there for just this reason—and try to fall asleep.

There is also, sometimes, a quite practical side to the creative person's capacity to become lost in what an outsider would consider irresponsible toying with ideas, forms, materials, relationships, and concepts, which he shapes into all kinds of incongruous combinations. This serves the same purpose as relaxation, in that the quasi-serious exercises relax the ever-present critical and conservative orientation of his consciousness. By putting the watchful censor to sleep, he can transcend the established order of his consciousness and set the stage for the emergence of novel ideas.

Executives might do well to develop a habit of spending part of every week viewing their problems and their jobs as flexibly as they can and from as many new, different viewpoints as possible. They should make a game of weaving the thoughts and images that occur to them during this "freethinking" period into different combina-

tions. Even if no startling new ideas result at the beginning, this exercise loosens the hold of judicial negativism and strengthens the muscles of dormant resourcefulness and imagination.

One good way to develop resourcefulness and imagination is setting aside time to employ the simple technique of "what would happen if . . ." It consists of imagining an impossible situation, such as "what would happen if we also had two eyes in the back of our heads," or "if all the printing presses were destroyed tomorrow," or "if everybody were drunk all of the time," or "if no one were allowed to marry until he was forty years of age," or "if we could read each others' minds." To spend just twenty minutes a day imagining the consequences of such situations is tremendously liberating and useful. Imagination, like a muscle, atrophies from disuse, and this exercise serves the purpose of building it up again. Although in the beginning only a few implications may be seen and the whole thing may seem pretty impractical and silly, after a few days this exercise should spark a considerable increase in fluency and originality.

ROADBLOCKS TO CREATIVITY

There are several forces that work toward conservatism and judicial attitudes among executives—and against new ideas and creativity. What are some of them?

1. *Need for order and integration*

Many executives have a strong preference for order and integration. They tend to react with conservative defensiveness and immediate rejection to ideas that do not fit into a secure, pre-established pattern or system. They suffer from what somebody has called "hardening of the categories," which does not permit the acceptance of information that cannot be easily classified and filed into preexisting categories.

The rejection mechanism used is the negative and critical approach of ignoring or banning the new or showing why it wouldn't work instead of trying to find ways to make it work.

2. *The security of the familiar*

With the passage of time some executives, being human, tend to become more conservative and habit-prone. They build up com-

fortable little operating systems or channels that they can take for granted, and into which their need for stability and security can easily flow and solidify. Many of them become so enamored of certain patterns and approaches that they are loath to give them up. If at times something new wells forth, the conflict between the old and secure and the new and unaccepted usually ends with the victory of the conservative impulse to side with the familiar order of affairs. The clearly defined, the securely established have a much more powerful hold on all of us than the new, which threatens to disturb the security of the status quo. After all, why should we disturb things as they are set up, especially if they seem to work moderately well?

This attitude would be all right if it were not for the fact that there are executives and companies who encourage new ideas and bold creative advances and thus move ahead by leaps and bounds. Companies whose executives fear the novel, who cling to the security of the familiar and the unfailing daily routine, develop into copiers or seek small, predictable, and orderly improvements, rather than radical innovation. The danger inherent in this tendency toward conservatism and caution is that it may stunt the creative growth of the company to a degree where it ultimately fails to cope with competition adequately.

3. *Fear of failure*

The specter of failure casts a fearful shadow over management because of the heavy responsibility for accurate judgment on the part of executives and the pride they take in their ability to plan and predict successfully. In the success-oriented career of executives, failure looms large. Yet failure is part and parcel of the creative process. A policy of caution dictated by fear of the consequences of failure can only lead to limited creativity. Individuals must be free to try out their ideas without failure being fatal. Yet it is this supposedly all-important asset which qualifies their willingness to risk the kind of leap into the unknown always involved in genuine creative advances. In addition, executives are taught to be practical and economical above everything, and as a result, judgment comes into play too quickly.

The unpredictable nature of real creativity makes it alien and

often suspect to the management which, concerned only with "efficiency," does not properly take into account the informality and freedom necessary to spontaneity of creative thought.

In sum, limits on creativity and the emphasis on judicial judgment are the result of managements' insistence on order, predictability, and practicality, their fear of change and conservatism. In our rapidly changing world of increasing competition, conservation may be the greatest risk management can take.

That management attitudes are crucial in either encouraging and sparking, or conversely, in discouraging and smothering creativity in companies was borne out in a recent study the author conducted for Deutsch & Shea, Inc., in which 105 authorities in the area of creativity participated. Here are a few statements from the study that illustrate the damaging effect of criticism:

> *Professor Leo B. Moore of Massachusetts Institute of Technology:* "The reception of the fruits of creativity has more to do with its development than anything else. Criticism in any of its various shadings by word or deed will kill creativity faster than anything else. Creativity must be encouraged in order that every man enlarge and develop his inherent potential for it."

> *A manager of a chemical company communications department:* "Management attitude is of the highest importance. It sets the level of performance, the climate, even determines the amount of productive results. It cannot be underestimated. A good, healthy respect for creativity by management will convert even the most introspective person to extend himself. Crush him and stifle him with criticism and you have a whipped dog of little creative value to the company."

> *Dr. Jules D. Porsche of Armour & Company:* "These attitudes [criticism in various forms] will not only limit the scope of creative work within the organization, but also discourage imaginative effort by generating a 'what the hell' attitude in the worker when he gets a brilliant or radical idea."

It was suggested in the study that one way executives can lessen the harmful effects of negative criticism is through learning to apply tact and diplomacy when they have to criticize. They should be open-minded and receptive toward ideas and suggestions offered to them by their staffs and be good, understanding listeners. They should develop an ability to evaluate ideas without using external evaluation—that is, they should *react* to ideas rather than judge them.

There are, of course, some control functions in business where

judicial thinking and even aggressive criticism have their place, but in most executive jobs, an inflexible judicial attitude and overpatternized thinking do more harm than good and should be taboo where creative thinking is involved.

Creative people are, by and large, extremely sensitive to any overt or implied criticism of their ideas. Rare indeed is the creative worker who has an unemotional, impersonal, and objective attitude toward criticism, who has learned to ignore unfounded criticism and benefit from that which is justified and useful.

The ability to be coolly objective about criticism comes only in time and is based on a series of solid successes in creative work. Yet even then, perhaps because of the creative person's continuing need to prove himself anew, indifference to criticism is never fully achieved. It is safe to say that no matter how tough the creative person, overcritical attitudes, cynicism, ridicule, or even plain indifference on the part of executives toward ideas offered them by their subordinates are tremendously destructive of idea-producing ability.

A CLIMATE FOR CREATIVITY

Fear of disappointment and anxiety about disapproval or censorship has prevented many people from coming up with original suggestions and has forced them to keep ideas to themselves. What can be even worse, however, is that cumulative experiences of rebuff and criticism can result in a complete paralysis of idea-producing ability so that no new ideas emerge, even in the privacy of the individual's own mind.

Professor Carl Rogers of the University of Chicago has advanced some suggestions on how we could establish a climate in which external evaluation is absent. Although quite utopian from the standpoint of our present organizational set-ups, his notions are well worth heeding. He explains it in this way: "When we cease to form judgments of the other individual from our own locus of evaluation, we are fostering creativity. For the individual to find himself in an atmosphere where he is not being evaluated, not being measured by some external standard, is enormously freeing. Evaluation is always a threat, always creates a need for defensiveness, always means that some portion of experience must be denied to awareness.

If this product is evaluated as good by external standards, then I must not admit my own dislike of it. If what I am doing is bad by external standards, then I must not be aware of the fact that it seems to be me, to be part of myself. But if judgments based on external standards are not being made, then I can be more open to my experience, can recognize my own likings and dislikings, the nature of the materials and of my reaction to them, more sharply and more sensitively. I can begin to recognize the locus of evaluation within myself. Hence I am moving toward creativity."

HOW CRITICAL JUDGMENT DEVELOPS

One reason why it is so hard to relax the habit of critical judgment is because it is schooled into us since early childhood. The maturation and developmental process in most societies requires that the child conform more and more to the conventional and standardized patterns of the adult world. In many families, idiosyncratic ideas, inventions, and improvisations that children come up with are met with exhortations like, "You are only a little child," or, "Your idea is silly and impractical." Eager that their child be popular and liked, parents tend to suppress most manifestations of new or unusual ideas that might make their child appear different or odd.

By the time the child reaches adolescence, his critical awareness of himself and others is already well developed. In school and college, because of the strong emphasis being placed on analytical and evaluative abilities, critical bent gets further reinforcement. Indeed, it is frequently by the negative credential of critical judgment that the student's degree of intelligence, sophistication, and academic acumen are measured.

For example, the late psychologist L. L. Thurstone wrote that "when students review a paper or a monograph, they often assume that their task is to tear the paper to pieces and to make the author look like a fool if it is possible to do so. Often their appraisal of a paper stops there. . . . Some very bright students seem to be able to show immediately by clear, logical reasoning that the proposed idea is not so. Sometimes the proof is so convincing that one is tempted to discard further thoughts about the new proposal."

Interested in promoting students who showed creative potential,

Professor Thurstone adopted a practice whereby a job-seeking student was confronted during the initial conversation with something a little strange and out of the ordinary. Professor Thurstone felt that, instead of rejecting the idea by "convincing logic," the potentially creative student would be intrigued by the unusual proposition and would toy with the idea and attempt to imagine what would happen if the idea were really true. "He is the fellow I want," concluded Thurstone.

By the time the student graduates and enters business, his trait of hypercriticalness has become firmly established. Frequently there remains only one short step to a sterility that expresses itself in distrust and corroding skepticism toward almost any new idea that crosses his path.

The ability to exercise critical judgment, so eagerly sought and cultivated in our time, is extremely destructive of creativity. Instead of freeing creative spontaneity, it has blocked it; instead of opening up the prodigality of the unconscious, the matrix where all new ideas originate, it has imprisoned it. But the damage that hypercritical attitudes have wrought is not only limited to creativity. They have, all too often, rendered understanding and sympathy in our interpersonal relations distrustful and negative. There is little doubt that occasional relaxation in the exercise of the seemingly valuable trait of critical judgment might go a long way toward freeing creativity and contributing to a more harmonious world. ♦

Management and Managers in Europe Today

(*Continued from page* 24)

For one thing, long-range planning as it is known in the U.S.A. is rare among European managers. Save for the large or exceptionally progressive companies—the Unilevers, the Shells, steel, auto, chemical makers—there has been little incentive for careful forward planning of capital expenditures and market potentials. For another, there has been precious little management talent available to formulate the plans and to carry them out.

TIGHT HOLD ON THE REINS

The growth of European business over the past five years has strained each country's and each company's resources of managerial talent. The old ways do not encourage a bright-eyed second and third echelon of executives. Young men, "middle management," do not often get the experience that planning, decentralization, and participative management provide.

The top men—in many public as well as family concerns—hold the reins tightly. They do not delegate; they try to make every decision and stay on top of every detail. An American business school professor now in Europe tells the story of the chairman of a manufacturing concern whose telephone hooks into every phone in his large organization—from shipping clerks to subdirectors. He spends a good deal of time listening.

Not that the top men of European industry are not extremely able and well-informed. In terms of intellectual power and experience they sometimes tower over an American counterpart. And they really run their organizations. (As one U.S. businessman recently put it: "The organizational form in Germany may be defined as 'autocratic with back-talk,' which leaves the individual some elbow room." He could have added: "But not much.")

But now the business begins to move too fast for the individual executive making all the decisions. Either he just muddles through and loses opportunities, or he overworks and dies—or he changes the system.

Many are changing. In larger campanies, second-line management is slowly getting a foot in the door of decision-making. This is

partly due to the impact of more sophisticated techniques—control of inventory and cash flow, advanced personnel policies, automation, operations research. All these make individual seat-of-the-pants management more difficult.

The growth problem is most pressing in the smaller, family-controlled companies with which Europe abounds. Change swirls about them. In many a worried family circle, the question is brutally clear: Can this enterprise survive?

The trouble usually involves (1) executive development and succession, and (2) availability of capital. Sons, in-laws, other relatives traditionally take over when the boss moves on. But what if they do not have adequate training, or have no ability at all? As for capital, family firms often have a hard time generating the capital needed to keep up, to modernize or expand. If they cannot generate their own, won't outside money dilute the family equity?

According to Stephen Cambien, Director of the School of Business Administration in Lille, France, most sons taking over family businesses are no more than a new "edition" of their fathers, and today that is not enough. Cambien has found that father-managers are poor pedagogues; often young family managers develop an inferiority complex right from the beginning. Education in hard management facts is often missed entirely, adds Cambien, who found in one study of young presidents that 60 per cent of those who purported to have had in-company training were not able to analyze a balance sheet or supervise accountants. (This may partly explain the contention of another Lille professor—that poor accounting in family firms results in "financial disorder and obscurity, encouraging a natural taste for secrecy.")

The cure? Cambien and his colleagues suggest that in the matter of capital, the family firm must put its growth ahead of financial independence. As for executive leadership, outsiders must be brought in; sons must not be pushed, but must gain outside experience—and they should be given more adequate pay, clearly defined responsibilities, and advanced study in liberal arts as well as management.

BACK TO SCHOOL

Formal management education is just getting started in Western Europe. There are natural barriers, such as the conviction that ability

to manage is a talent acquired through heredity and developed only through experience. The idea that management can be learned from books and in seminars seems ridiculous to many an executive.

Class-consciousness is involved. Directors are to the manor born; among workers, the idea that "the Board Room's not for the likes o'me" runs deep.

But the managerial caste system is weakening. Europe's postwar renaissance has produced many self-made men, and management education will nurture more.

Company-run training schools for middle and lower management are becoming popular. In Britain now, no self-respecting director can hold his head up in the Club if his concern has not got one. This may be true on the continent, though to a lesser extent: Most in-company education is still on the apprentice and shop level. It is a long way from middle management to the executive suite.

Outside the company, management education grows slowly. The universities have been concerned with classic economic theory, or with nuts-and-bolts statistics and production technology. There are just a handful of management professors, little serious research. Commerce has been beyond the pale. It was enough that a bright boy should learn his humanities at Oxford, his engineering theory at École Polytechnique.

The Marshall Plan sowed the seeds of change. The U.S.-sponsored productivity centers are still active on their own, and have helped to stimulate business education. So have management consultants, whose practices are blooming. (Many good U.S. and European consultants are now at work, but so are a few fly-by-nights who have made their killing at the expense of troubled European managements.)

A group of leading companies have set an example by sponsoring facilities for advanced management study: Aluminium Limited of Canada has had a school in Geneva for years; Nestlé recently set up its Harvard-oriented retreat near Lausanne; the Fiat and Olivetti companies help a school in Turin; the textile men of Lille helped start the graduate effort at the Catholic University there.

This summer, resident management courses have been held at Oxford, Cambridge, and St. Andrews; in September, a "European business school" opens in Paris under the Paris Chamber of Com-

merce, which has been a leader in sponsoring technical and commercial studies as well as advanced work.

Older executives may rail against the idea of having academics—even those imported from Harvard—tell them how to run their business. They are ill at ease when it comes to discussing cases and their own intimate problems in seminars. But younger men take to it. And they are the ones who will run European industry in a decade or two.

YOUTH WILL BE SERVED

Some bosses worry. "We believe in free enterprise," sighs a Scandinavian, "but I'm afraid our sons are all becoming socialists and bureaucrats."

This is questionable. For one thing, there appears to be an increasing commitment among youth to business management as a profession, even as a way of life. A business traveler in Europe this year will see many young men with drive and enthusiasm during his rounds. They seem excited by the growth opportunities. They are curious, poring over management journals. They are efficient.

And they are often frustrated. The young man may have violently different notions about the philosophy and operation of a business. But the old man hates to move over.

A bunch of socialist bureaucrats? The vigor and growth of several organizations of young management men in Europe would appear to belie that charge. These groups are encouraging management study among their members; they are telling the story of private enterprise and better management with genuine zeal. Earnest and leadership-conscious, they talk a 19th-century laissez-faire philosophy—but with a new stress on the social and political responsibilities of business.

THE "EUROPEANS"

Above all, they talk and act like "Europeans." The prospect of economic, even political, integration has fired their imaginations. You see young businessmen traveling about Europe on holiday with their families, you see them living in a neighboring country on the job or in training, getting to know one another and talking over common problems.

A few weeks ago, a new all-European "young presidents' organiza-

tion" held its first convention. The charter states: "Enterprise must be free and economy private. . . . The initiative of man must in no way be curtailed." And, we "must contribute to the coordination of the human and material resources of our continent and work for the harmonization of our national economies."

These young men believe it. And if the politicians give them half a chance, they will succeed. ♦

SURVEY OF BOOKS FOR EXECUTIVES

CREATIVE LEADERSHIP. By Roger Bellows. Prentice-Hall, Inc., Englewood Cliffs, N.J., 1959. 338 pages. $8.00.

*Reviewed by James M. Rogers**

When it comes to formulating a philosophy for putting a society together—and it doesn't make any difference whether we're talking about a large, complex society such as a nation or a small one such as an industrial unit—we do not have a great many choices at our command. In fact, there are really only two possible points of departure. The first—first, at all events, in popularity at the present time—is the collective or group theory, which holds that the group is everything and the individual nothing. This belief starts from the premise that man is basically a social creature, practically all of whose motivations stem from his gregarious urge—the instinct to flock together.

The other point of departure regards every human being as in some way unique—in short, an individual whose highest motivations are inspired by his being treated as an individual, with all the rights of his creation preserved.

Mr. Bellows evidently belongs to the first camp—though what he has to say is not said succinctly enough to perceive this fact without considerable digging. Nevertheless, it runs throughout his involved discussion of leadership—sometimes appearing as no more than a very light string accompaniment, at other times as blaring brass.

It can be heard unmistakably, for example, in the conclusion he draws from a case study of a garment factory where a wage incentive was introduced. There were the usual difficulties in establishing piece rates, and, primarily because of bad communications, production fell off and turnover increased rapidly. The real question posed by such a case would seem to be, "How should the standards have been applied?" Mr. Bellows falls back on the group approach: "Let the employees decide."

It seems to me that there is a real place for this book among those academic approaches to industrial

* Assistant to the President, The Ingersoll Milling Machine Co., Rockford, Illinois.

management which end up by transferring the responsibility for the important aspects of motivation from managers to employees, whether by means of committees, unions, or some other form of quasi-ownership. But I personally have some very serious doubts whether this is the answer to any of our current social problems, either in or out of the industrial scene. It certainly represents a substantial departure from the well-established principle that equations are best formulated with the smallest numbers relevant to the problem.

Mr. Bellows is strong on the idea that our principal struggle today is for survival, and leadership as we have known it has failed. "We are floundering for want of an adequate way of organizing our human resources," he asserts. "Survival requires keeping up with the times. Preserving what we have is not enough." And again, "Technological advances have brought about vast changes in our way of life. They have made life more complex and have tended to minimize our feeling of closeness to our fellow man." But, though he evinces an abhorrence for what he calls the old type of leadership, which he refers to as "brutish authoritarianism," and professes to find a remedy for all our troubles in a new kind of leadership based on "moral principles and the freedom and dignity of man," he never really identifies a point of departure for his morality. In fact, that last sentence should be amended to read, "the freedoms and dignities of men," for the book deals primarily in plurals. A single man is rarely considered in this work.

Those who like to make a theory out of what are, in reality, everyday practices will no doubt enjoy Mr. Bellows' highly complicated approach to the problem of developing good leaders, for his book is replete with complicated charts, graphs, and diagrams which succeed in transforming simple situations that can readily be described in words into utterly confusing geometric symbols.

Despite the wealth of case studies and quotations from such hallowed sources as the Gettysburg Address, it is difficult to see how this book can be of much use to budding leaders, unless they happen to be the kind of people who can benefit from such confused utterances as: "Success in leadership may be said to depend upon the ability to analyze situations and identify problems, to conceive solutions to problems, and to remedy situations. The goal of the leader is to contribute to the value of a group enterprise through leadership as we have defined it." Or, "So complex and dynamic are human social needs that their observation is not yet an exact science. Situation analysis, the first step in leadership research, locates and describes leadership problems."

If that does not sufficiently clarify the position of leadership, then perhaps the reader might have better luck with, "Leadership depends upon interpersonal activity. Behavior is person to person, person to group, group to person." Or, "Leadership situation depends in part on how people perceive one another."

It remains only to be added that, inasmuch as Mr. Bellows proves, at least to his own satisfaction, that

leaders are not born but are made by their society, all we need do now is to make up our minds not to create any more Hitlers or Napoleons and the problem of the totalitarian tyrant will have been solved. Were it not such small comfort to be saying "I told you so" to the man standing next to you in front of a firing squad, it might be all right to let Mr. Bellows have his way. But something tells me that leaders will continue to arise —and that the tyrants among them will find it easier to take over those who have been conditioned to think in group terms.

Publications Received

(Please order directly from publishers)

GENERAL

BASIC HISTORY OF AMERICAN BUSINESS. By Thomas C. Cochran. D. Van Nostrand Co., Inc., Princeton, N. J., 1959. 191 pages. $1.25.

A PRIMER OF THE THEORY OF ADMINISTRATION. By Jaroslav Tuma. Mathrawala & Sons, 219 Frere Road, Fort, Bombay 1, India, 1959. 73 pages. $1.50.

ANNUAL REPORT 1957-1958. Social Science Research Council, New York, N. Y., 1959. 100 pages. Gratis.

A GLANCE AT THE RUSSIAN ECONOMY: *Its Record and Its Potential.* (Economic Series No. 79.) National Association of Manufacturers, New York, N. Y., 1959. 16 pages. $1.00.

ALLOWANCE FOR INFLATION. By F. C. Jelen. Frederick C. Jelen, 1920 Glenwood Ave., Syracuse 4, N. Y., 1959. 37 pages. $2.00.

SAY IT WITH WORDS. By Charles W. Ferguson. Alfred A. Knopf, New York, N. Y., 1959. 214 pages. $3.50.

WOMEN IN BANKING: *A History of the National Association of Bank Women.* By Genieve N. Gildersleeve. Public Affairs Press, 419 New Jersey Ave., S. E., Washington 3, D. C., 1959. 115 pages. $3.25.

INTRODUCTION TO BUSINESS. By Raymond E. Glos and Harold A. Baker. South-Western Publishing Co., Cincinnati, Ohio, 1959. 692 pages. $6.00.

CREATIVE DISCUSSION. By Rupert L. Cortright and George L. Hinds. The Macmillan Company, New York, N. Y., 1959. 303 pages. $4.50.

MICTROTEXTS AND MICRORECORDING. County Technical Librarian, Hatfield Technical College, Roe Green, Hatfield, Hertsfordshire, England, 1958. 27 pages. 4/-.

ELEMENTARY MATHEMATICAL PROGRAMMING. By Robert W. Metzger. John Wiley & Sons, Inc., New York, 1958. 246 pages. $5.95.

REAL ESTATE: *Principles and Practices.* (Second Edition.) By Maurice A. Unger. South-Western Publishing Co., Cincinnati, Ohio, 1959. 710 pages. $6.50.

ECONOMIC DYNAMICS: *An Introduction.* (Second Edition.) By William J. Baumol. The Macmillan Company, New York, N. Y., 1959. 396 pages. $6.75.

COST CONTROL THROUGH ELECTRONIC DATA PROCESSING. By Phil Carroll. Research Division, Society for Advancement of Management, 74 Fifth Ave., New York, 1958. 32 pages. $1.50.

AMA CONFERENCE CALENDAR

SEPTEMBER-OCTOBER, 1959

DATE	CONFERENCE	LOCATION
September 21-23	FALL PERSONNEL CONFERENCE	Hotel Astor New York
September 28-30	AMA ANNUAL SALES FORECASTING CONFERENCE: Forces That Will Shape the 1960 Sales Forecast	Biltmore Hotel New York
October 7-9	RESEARCH AND DEVELOPMENT CONFERENCE: Planning for Growth	Biltmore Hotel New York
October 14-16	SPECIAL FINANCE CONFERENCE: Financial Planning for Greater Profits	Roosevelt Hotel New York
October 21-23	GENERAL OFFICE MANAGEMENT CONFERENCE: Advances in Office Management Practices—Unlimited Horizons	Roosevelt Hotel New York
October 26-28	SPECIAL MANUFACTURING CONFERENCE: Distribution Management	Roosevelt Hotel New York

To register or to obtain additional information on any of the conferences listed above, please contact Department M8, American Management Association, 1515 Broadway, New York 36, N.Y.